

## **MOLDOVA COUNTRY COMMERCIAL GUIDE FY 2002**

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## Chapter I: Executive Summary

This Country Commercial Guide (CCG) presents a look at Moldova's commercial environment, using economic, political and market analysis.

The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country commercial guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government agencies.

### Overview of Import Market

Moldova, with a population of 4.4 million (including the breakaway region of Transnistria), is a small open economy heavily dependent on its agribusiness sector. Demand for Western goods is small, although such goods are considered high quality. Demand is stymied by the generally low paying capacity of consumers. Short-to-medium term benefits of the Moldovan market are small for U.S. exporters. Moldova remains a relatively difficult market in which to do business.

### Synopsis of the Commercial Environment

Moldova is still in the process of implementing the principles of a free market economy. Although Moldova has achieved substantial progress on the road to reforming the Soviet-based command economy, it is faced with the arduous task of making the existing market-based institutions and laws more efficient. Moldova's commercial environment is heavily affected by the country's excessive foreign debt burden and a struggling public sector. Business in Moldova is undermined by a weak public sector, lack of a coherent body of commercial laws, and uncertainty surrounding the legal status of the breakaway region of Transnistria.

#### Moldovan business attitude toward the United States

Moldovan businesses view favorably their American counterparts, due to the latter's rigorous business standards and access to cash. Moldovans are generally willing to do joint business projects with American firms. Also, Moldovans look at the U.S. as a source of technology and know-how and oftentimes are willing to offer their own technology solutions. No strong attachment toward locally produced brands is evident, except for a few traditional local products such as juices, wines, and confectionery. Moldovans feel no cold war era prejudices toward Americans.

#### Leading Business Opportunities

Moldovans are especially interested in Western equipment and technologies for food processing and to a lesser extent packaging. Information technology products are also gaining wider acceptance in Moldova. Agricultural inputs, such as fertilizers and other chemicals, and farming machinery are in high demand in Moldova.

#### Major Roadblocks to Doing Business

Many of the roadblocks to doing business in the Newly Independent States (NIS), including Russia, apply to Moldova as well. These include: low consumer purchasing power and limited project financing; an evolving commercial law system; less formal and less rigorous business practices than in the West; an inconsistent legislation and a relatively weak property rights enforcement system. Additionally, uncertainty surrounding the breakaway region of Transnistria is another factor to consider.

#### Local and Third-Country Competition

Western European firms are very active in Moldova. They sell various consumer goods and equipment. Turkish, Eastern European, Russian and Romanian firms are among Moldova's main trading partners. Italian and Turkish firms supply to Moldova various leather and clothing items. Italian, French, Turkish and German firms are among the prominent foreign investors in the country in such sectors as wine making, leather processing, sugar production, mobile telephones and clothing.

#### Some Keys to Success

Early market entry is important. However, such a move is justified only if a proper assessment of market and other conditions is done. Employing one of the several Western consulting and advertising agencies operating in Moldova is crucial for minimizing risks. Until conditions generally improve, a piecemeal approach to trading with and investing in Moldova is advisable.

## U.S. Embassy Commercial Section and BISNIS

The Commercial Section of the U.S. Embassy in Chisinau, Moldova, in cooperation with the U.S. Commerce Department's BISNIS, helps U.S. exporters and investors to obtain better information about the Moldovan market. Occasionally, the U.S. Embassy in Chisinau and BISNIS will organize trade promotion events, offer counseling and agent/distributor search services and, where appropriate, project-specific advocacy. It is difficult for the Embassy and BISNIS to advocate for U.S. companies doing business in the breakaway region of Transnistria.

Country commercial guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country commercial guides can be accessed via the world wide web at <http://www.stat-usa.gov>, <http://www.state.gov>, and <http://www.bisnis.doc.gov>. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. Exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRAD(E) or by fax at (202) 482-4473.

## Chapter II: Economic Trends and Outlook

### Major Trends and Outlook

#### 1. General

Since independence, and notwithstanding the difficulties imposed by its small economy, a war in Transnistria and the collapse of the Soviet trading system, Moldova has followed a strong reformist strategy. However, in the 1990's Moldova experienced perhaps the sharpest GDP contraction in the Commonwealth of Independent States (CIS), with the result that its economy by the end of 1998 was around one-third of its 1989 size. This collapse can be attributed to various economic misfortunes: the GDP decline of 29 percent in 1992 reflected the war with Transnistria, and the decline of 30.9 percent in 1994 reflected a severe drought which all but wiped out the important grape crop.

After a 4.4 percent fall in 1999, GDP increased in 2000 to 1.9 percent, or ML 16 billion (over USD 1.2 billion). This was despite a prolonged drought and ice storms in November, 2000. Furthermore, the Moldovan government is optimistic and expects a five-percent GDP growth in 2001. The economy has so far been going uphill, with industrial output, retail, construction, services and most notably transportation showing signs of an increase in the first quarter of 2001. Moreover, experts forecast that in 2001 the grain crops will be almost double the level of 2000.

The end of the year 2000 marked the resumption of loan assistance from the International Monetary Fund and other international donors for Moldova. In the confusing situation after the new parliamentary elections in February, the new Communist-appointed government failed to live up to the international donors' requirements. That caused the IMF to suspend its support until a next assessment

mission scheduled for July 2001. Macroeconomic stability may further worsen, as 2002 will be the peak year for Moldova's foreign debt service, accounting for over 60 percent of state budget revenues.

## 2. GDP Growth

In 2000, GDP performance was relatively good. The GDP reached ML 15.89 billion or USD 1.3 billion, which is a 1.9 percent growth from 1999. This is attributable to growth in industrial output and improved performance in services. In 2000, industrial output grew 2.8 percent, while agricultural output continued its fall from the previous year by 2.6 percent. The recovery of industrial output that started in the second half of 1999 continued in the first quarter of 2001 with a 3.1 percent year-on-year growth in real terms. A rise in output was recorded in all major industrial sub-sectors. On the contrary, agricultural output in the first quarter of 2001 lagged behind industrial output with the output index at 92 percent compared with the first quarter of 2000, mostly due to a 8 percent drop in animal husbandry production.

## 3. Inflation

The Russian monetary crisis of 1998 put the Moldovan currency under intense pressure. The pre-crisis rate of ML 4.7 to one U.S. dollar had dropped to ML 10 in 1998 and to ML 11.59 by December 1999. A further decline to ML 12.38 by December 2000 took place. This meant an effective doubling in the price of many imports, including dollar-denominated imports like oil and gas. The 2000 cumulative inflation rate was 18.4 percent, which is a significant slowdown from 1999 when inflation was 43.8 percent. The cumulative inflation rate for January-May, 2001 was 3.8 percent. The annualized rate of inflation for 2001 in that case stands at 9.1 percent, within the forecasts made by the Moldovan Government at 15 percent and the National Bank, Moldova's central bank, at 10 percent.

## 4. 2001 Budget

In late November 2000, the Parliament passed the Budget for 2001, which set revenues at ML 3.36 billion (USD 269 million), equivalent to 23 percent of the actual 2000 GDP, and expenditures at ML 3.64 billion (USD 291 million). The budget deficit of ML 280 million (USD 22 million) was initially planned to be covered with revenue from privatization and internal sources. As the installation of the new government took place, it failed to move on with privatization in tobacco and wine industries within the time frame set in the Moldova-IMF Memorandum. The government is hopeful that foreign creditors will reschedule Moldova's foreign debts, the servicing of which in 2001 will require USD 81.2 million or over 30 percent of the State Budget revenues.

## 5. Credit Ratings

Major rating agencies did not initially decrease the country's rating immediately after the crisis of fall 1998, when Western institutions still believed that Moldova's reforms were an indicator of further growth. In the spring of 2000, however, Moody's Investors Service downgraded Moldova's credit ratings. The coming to power of the Communists in February 2001, their contradictory statements regarding privatization and reform, the resulting suspension of assistance from the IMF and a delayed payment of a USD 3.7

million coupon on a USD 75 million eurobond issue, caused the international credit rating agency Fitch IBCA to review twice its credit ratings for Moldova in 2001. Fitch IBCA downgraded Moldova's long term foreign currency rating from B- to CCC+ and further to CC. Fitch IBCA also downgraded the short-term foreign currency rating from B- to CCC. The outlook for all ratings is negative. A further downgrade will bring Moldova closer to the default category. Also, Moody's downgraded in early July to Caa1 the rating of the USD 75 million eurobond issue due to mature in 2002. The rating for bonds was downgraded to Caa1 and for bank deposits to Caa2.

## Government Role in the Economy

### 1. General Goals

According to the new work program for 2001-2005, called "Economic Recovery – The Country's Recovery", the Communist-appointed Government will continue reforms giving them a more social orientation. The Government still puts an emphasis on foreign investment as a key factor in economic recovery.

The program focuses on the following:

- to strengthen government role in securing a stable social and economic development;
- to increase the role and efficient use of state property;
- to develop private enterprise and create a market infrastructure;
- to improve foreign economic policy in order to reduce the trade balance deficit and reach a positive balance in the future;
- to develop the real economic sector by stopping the economic decline, solving the problem of energy supply, breaking monopolies and encouraging competition.

### 2. Budget Priorities

Creating the engine for sustainable growth is an imperative for Moldova and the key to long term macroeconomic stability. Achieving a long-term budget balance is a function of correlation between public spending and economic needs and a more efficient use of public funds. The Government's latest imperative is to fight poverty with the help of international donors.

The Government faces the formidable task of meeting its onerous financial commitments to foreign creditors in the face of pending disruption in international financial assistance. In 2001, foreign debt servicing will account for over 30 percent of all budgetary revenues. Being overdue with the privatization of key tobacco and wine sector enterprises, the Government's only viable choice appears to be a speedup in the privatization process, debt rescheduling and a tighter tax administration. In early 2000, the Government succeeded in rescheduling some of the gas-related debts to Russia's Gazprom. Also, in 2000 the Government restructured some of its other foreign debts, with USD 126.4 million scheduled for payment in 2000.

The problem of arrears in the energy sector has been dragging on for years. Debts continue to increase, due in large part to non-payment by enterprises and fiscally

strapped institutions, especially at the local Government level. Unless the Government accelerates public sector reforms and privatizes the remaining energy companies, further arrears may result.

The Government is emphasizing debt management, aid coordination and foreign direct investment in order to mobilize its resources. It is also intensifying efforts to promote export growth and diversification by strengthening the trade regime, completing the process of WTO accession, negotiating a new free trade agreement with the European Union and joined the Pact for Stability in South Eastern Europe.

### 3. Private Sector Development

The Government's program stresses the need to promote private sector production of competitive goods and services. The Moldovan authorities understand that foreign investment is essential for efficiency and competitiveness. The Government is working with the donor community to develop a viable micro-credit system based on a participatory approach.

The authorities are working to create a positive environment for private investment. This involves legal and institutional reforms to level the playing field, promote competition, protect property rights, strengthen the court system and ensure transparent regulation. A modern infrastructure and active markets for urban land and real estate are important to attract private investment.

### 4. Public Sector Reform

Corruption: the importance of a strong anti-corruption strategy has been the subject of recent discussions in Moldova. As in many NIS countries struggling to introduce market forces and establish the rule of law, corruption takes many forms in Moldova. These include smuggling, tax evasion, abuse of office by poorly paid civil servants, and informal fee-for-service schemes in the social sectors. The Government has launched numerous initiatives to combat corruption. While in the past these efforts have dealt mainly with the symptoms of corruption, there is clearly now an appreciation of the need for a more systemic approach involving institutional reforms, civil service reform, legal and judicial reform, and programs to strengthen public oversight and civil society. At the present moment the Government faces the difficult problem of creating an efficient and corruption-resistant public administration within tight budget constraints.

Planned reforms: Moldova plans to reform the public pension system, which links contributions directly to benefits and gradually raises the retirement age. A legal framework for private pension funds is also being developed. In education, the Government intends to complement the introduction of a modern, unified curriculum with a program to reform the structure and management of public education. The authorities are initiating a restructuring of the public health care system, which will involve consolidating existing facilities, introducing an official fee-for-service scheme, and partially privatizing health services. The Moldovan Government acknowledges that the social assistance system is in need of fundamental reform. Most of the required legislation to underpin this reform has already been prepared.

Long-term goals: In the long term, Moldova plans to modernize the state and restore public confidence in state institutions. Decentralization of authority to a reorganized and



strengthened system of local Government is indispensable for social sector reform, since most social services are delivered by local authorities.

## Privatization

### 1. General

Other priorities for Moldova in 2001 include restructuring and privatization of the state industrial and agricultural property. After completing privatization for Government-issued bonds, which began in 1992, the Government is now carrying out privatization for cash. Cash privatization has had less success: the completed international tenders of the Moldovan telecommunications company Moldtelecom in 1998, and the tobacco concern Tutun in 1996, were canceled at the last minute. In 1999-2000, more than 360 enterprises were sold through auctions and international tenders. Total revenues generated from privatization in 2000 stood at ML 426 million (USD 34 million).

The Government's program also aims to ensure a reliable and competitive energy supply for all paying customers. The program has already partially materialized, as the Government privatized three electricity distribution companies and is currently preparing to sell the remaining two electricity distribution companies and power generation assets.

Results: Privatization revenues have been relatively low due to unrealistic price expectations and the unwillingness of the Government to lose management control. In addition, since August 1998, the Russian monetary crisis has had a strong impact on Moldova. However, the Government has showed flexibility in establishing prices on the condition that serious investment commitments are to be made in the acquired company, and all its debts are to be assumed. As a result, 15 companies have been sold to foreign and local strategic investors, generating revenues of ML 50 million (USD 4.37 million) and direct investment of ML 87 million (USD 7.6 million), DM 82 million, and USD 57.5 million. Leading Western companies were involved in seven out of the 15 successful privatization programs.

The most successful privatization in 1999-2000 was the sale of three out of five power distribution companies to the Spanish firm Union Fenosa for USD 25.3 million and investment commitments of approximately USD 70 million. Other successful privatizations by foreign investors include: cement producer Cement S.A. by France's Lafarge (a 52 percent stake); pharmaceuticals producer Farmaco S.A. by U.S.A.'s Europharm, Inc. (an 85 percent stake); leather processing company Piele S.A. by Italy's Esastampa (a 60 percent stake); clothing factory Balteanca by Germany's Steilmann Gruppe (a 65 percent stake); tour operator Moldova Tur S.A. by Israeli Avi-Waks Ltd. (over 80 percent stake) and oil retailer Tirex-Petrol by Germany's Mabanafit (over 80 percent stake).

The size of the private sector has grown considerably over the past few years. As of mid 1999, an estimated 60 percent of the economy was in the private sector. Sixty percent of industries are private, with agriculture at 86 percent, retail sale and services 70 percent, and construction and transport almost 44 percent. The private sector employs almost 70 percent of all Moldovan workable population and accounts for over 63 percent of Moldova's GDP.

In October 2000, the Parliament passed a law on privatization of five wineries and seven tobacco companies. The Government plans to announce privatization tenders for two wineries in 2001. The other two electricity distribution companies are slated for privatization. Pending Parliament's approval, the Government will again hold privatization tenders for 96 percent in Viorica Cosmetic, a perfumery and cosmetics company, 60 percent in Zorile S.A., a leading shoe manufacturer, and 100 percent in Agromecanica Holding. For various reasons, these firms were not privatized the first time they were put up for sale. Other lower profile companies will also be offered for sale.

As a result of a tender, the Moldovan Government chose in June 2001 Raiffeisen Investment as financial consultant for the privatization of Moldtelecom. The financial consultant will assess the company, define the privatization terms and identify the buyers. Moldtelecom's privatization is expected to take place by the end of 2001. In addition to selling 51 percent to a strategic investor, the Government will offer a license for third-generation mobile telephony services.

## 2. Land Privatization

Given the importance of the agricultural sector for Moldova, land privatization is a key issue for the Government. The authorities are privatizing land through an equitable and transparent system of direct cash grants to private farmers. More than one million private farmers will receive legally recognized land titles and property shares. The legal basis for land trade has been established and taxes on land transactions have been lowered.

Results: The first phase of land privatization, which involved 1,035 agricultural enterprises, was completed in October 2000. Over one million Moldovans have become owners of 1.5 million hectares of privatized land.

Land has been tradable on a restricted basis since late 1997 and can now be used as collateral, although in reality problems in determining land value have limited its use in commercial transactions. For this reason, evolution of a functioning land market has been slow, which has in turn held back much-needed reforms in the agricultural sector. Reversing this trend remains one of the Government's most pressing priorities.

There are still some restrictions on transactions for agricultural land; for instance, foreigners are not allowed to purchase it.

## Balance of Payments Situation

### 1. Trade Balance

In 2000, imports into Moldova increased 38.3 percent from 1999. This caused a trade deficit almost three times bigger than in 1999, reaching USD 307 million. This increase in trade deficit reflected a return to the consumption pattern before 1999, the year in which Moldovan currency's devaluation led to a decrease in dollar-denominated imports. Total exports however increased only 3.3 percent. This insignificant export growth was linked to the weak recovery of traditional export-oriented industries and the still-adverse economic conditions in the NIS countries, which account for almost 60 percent of

Moldova's exports. The pickup in foreign trade continued well into the first quarter of 2001, with exports increasing 20.3 percent and imports 10.7 percent.

A wider gap between imports and exports resulted in an increase in the current account deficit to USD 131 million in 2000 from USD 57.7 million in 1999.

## 2. External Debt

One of the country's biggest challenges will be tackling its external debt, which by the end of 2000 amounted to over USD 1 billion. This is an almost 10 percent increase from the 1999 level. As a share of GDP, the country's foreign indebtedness increased from 65 percent in 1998 to 90 percent at the end of 2000. Moldova's Government had been repaid USD 88.3 million over 1999. During 2000, a further USD 57.3 million became payable. In 2001, the Government is due to repay USD 81.2 million. The year 2002 will be the peak year for debt servicing – with USD 168.7 million in payments due, accounting for over 60 percent of all budget revenues. The country has made some dramatic efforts to stabilize the situation, including handing 50 percent ownership of its gas lines to Russia's Gazprom, one of its biggest creditors. Moldova also redeemed bonds worth USD 140 million in order to pay off part of its Gazprom debt. In mid 2000, Gazprom agreed to restructure USD 90 million that Moldova owes it for gas. However, Moldova continues to owe that organization approximately USD 218 million (debt and penalties), not including the USD 611 million that is owed by Transnistria. The Government is also hopeful that foreign creditors will restructure Moldova's debts.

### Principal Growth Sectors

#### 1. Agriculture

Agriculture represents the basis of the Moldovan economy, comprising 20 to 30 percent of GDP in different years and providing employment for almost half of the population. Agricultural production accounts for 75 percent of the country's total exports. This specialization in agricultural production is due to favorable climatic conditions and higher than average soil fertility. Seventy-five percent of the total territory is agricultural land and over half of the population lives in rural areas. Various products such as cereals, sunflowers, sugar beets, potatoes, vegetables, tobacco, fruits and grapes grow in Moldova. In 2000, harvest of cereals (principally wheat and corn) and legumes decreased 11 percent to 1,931 thousand tons from a year earlier. This was due to a lower average yield per hectare. At the same time, sunflower yield increased 3 percent to 295 thousand tons, which was attributable to enlargement of cultivated areas. Weather conditions in 2000 were favorable to grapes and fruits. Output of fruits and berries increased from 136 thousand tons in 1999 to 255 thousand tons in 2000. Grape yield increased 50 percent to 701 thousand tons.

Meat output decreased almost 20 percent, largely due to unfavorable livestock breeding conditions. Farm livestock of all kinds has been continuously declining, with the head count of pigs being the most affected. In 2000, the total number was 447 thousand pigs, down 35 percent from 1999.

Moldova benefits from chernozem, a fertile black soil that covers 75 percent of its land area. The sector has, however, been adversely affected in recent years by droughts, frosts, and floods. Adverse weather conditions have been compounded by a shortage of

inputs and raw materials, which led to lower yields. Moldovan farmers have switched to less labor-intensive crops, such as wheat, corn and sunflower. The sector continues to receive Government subsidies and tax incentives. The 2001 budget earmarked ML 30 million as subsidies for farms and ML 10 million for vineyard recovery.

The total farmed area in Moldova is 2.6 million hectares. About 75 percent is farmed by individuals and cooperative farms. By the end of 2000, some 503 thousand farmers were land owners.

## 2. Manufacturing

According to official statistics, Moldova's industrial output measured in comparable prices was up 2.3 percent in 2000 compared to 1999. Many industries were growing in 2000, most notably food and beverages, textiles, clothes, footwear, glass and cement. Although industrial output started to recover after the 1998 financial crisis in Russia, Moldovan enterprises were still affected by the suffered collapse. Low incomes of the Moldovans and slow recovery in exports are also a reason for the slow economic rebound. In the period January to May 2001, industrial output grew by 3.1 percent compared with the same period of 2000.

**Food processing:** Moldova used to be one of the main suppliers of fresh and processed fruits and vegetables to the Soviet Union. Since Moldova's transition to a market economy, this sector, like almost all of the Moldovan economy, met with difficulties. However, the apple juice production sector is expanding, including concentrated apple juice. Many apple-processing plants use modern juice packing equipment.

**Wine:** This represents a major product of Moldova's economy, with exports in a good year accounting for up to 50 percent of the total export income. The wine industry has also been a major area of foreign investment. However, it still needs substantial amounts of money to recover from the anti-alcohol campaigns conducted between 1985 and 1991 and from the general under-investment that has characterized the industry since then. There are about 110 wine bottling lines with a processing capacity of 370 million liters a year. Grapes are collected from 170 thousand hectares of vineyards, an area broadly the same size as Bordeaux in France, but capable of producing a full range of red, white, and sparkling wines. After a good year in 1996, unseasonable weather substantially decreased the grape harvest in 1997. Only 180 thousand tons of grapes were harvested, which was around half the 1996 grape harvest. Since 1998 grape harvests have been increasing every year, topping 701 thousand tons in 2000 – a year with weather very much favorable to grapes and fruits. In 2000, wine production increased 20 percent versus 1999. Only 10 percent of all Moldovan wines are consumed within the country, the other 90 percent is exported. The Commonwealth of Independent States is the main export market for Moldovan wines, with Russia accounting for 82 percent of all wine exports. Moldova's wine growers continue to view this as their most important market, despite the 1998 crisis. Nonetheless, Moldova exports wine into many Western and Asian markets such as the United States, Canada, Western European countries and China. In 2000, Moldova exported 16.1 million decaliters of wine worth USD 128 million.

**Sugar Beets:** This is another important crop. The country has the production capacity, although with outdated technology, to process over 3 million tons of beets into 300,000 tons of sugar annually. There are 10 privatized sugar beet enterprises in the north of the

country, members of the Association of Sugar Refineries. One important player in Moldova's sugar market is Germany's Suedzucker AG, which holds a stake in five Moldovan sugar enterprises – Drochia, Donduseni, Falesti, Alexandreni and Glodeni. Since 1998, Suedzucker has been buying shares in these Moldovan enterprises and began investing in their modernization. About 1.8 million tons of beets are processed into 230 thousand tons of white sugar each year. The year 2000 saw an increase, albeit insignificant in both sugar beet and sugar. Sugar beet output grew 1.7 percent, while sugar output increased 3.4 percent to 102 thousand tons.

**Dairy:** In 2000, milk output in the country increased 2.4 percent to 26,000 tons. Output of cheese remained unchanged at 1,100 tons, while that of butter increased to the 1998 level of 2,500 tons. The opening of the Moldovan market caused many dairy companies to respond to the competition and market new dairy items. Out of 10 dairies in Moldova, Incomlac, located in Balti, and Alba, located in Hincesti, are the biggest. Starting in 1997, Alba strengthened its position with a significant US investment from the investment fund Food Master International. Besides Alba, the US investment fund has a stake in two other Moldovan dairy enterprises – Soroca and Cimislia.

**Light Industry:** Much of the light industry is equipped with modern machines and some plants have formed joint ventures with foreign companies, mostly from Western Europe. More investment is needed to widen the raw materials base and to find new foreign markets. The industry produces cotton cloth, industrial carpets, natural and artificial silk and natural and artificial leather goods. Textile and knitwear companies are among 39 listed by the Government as prime companies likely to attract Western investors. The 2000 output of textiles increased 29 percent, clothes and furs 24 percent, and leather goods and footwear 32 percent. To a significant degree, clothing and other light industry manufacturers rely on offering assembly/tolling services to their Western partners. The most prominent Moldovan clothing producer is Ionel, which does tolling services for firms from a number of countries, including U.S. and Canada. Some of the other successful producers in this sector are: Balteanca (clothing), Artima (producer of a variety of bags), Covoare Ungheni (ornamented carpets) and Zorile (footwear). One Western company that is present in Moldova's light industry is Germany's Steilmann AG, which in 1999 bought a controlling stake in Balteanca.

**Tobacco Industry:** The tobacco industry remains an important contributor to the state budget. During Soviet times, the republic produced 40 percent of the USSR's annual crop - at its height, 135 thousand tons, equivalent to 10 billion cigarettes a year. The industry consists of eight dehydration plants and the state-run Chisinau Tobacco Factory, which can produce 9.5 billion cigarettes a year. In 2000, cigarette production was 9.3 billion, a seven-percent increase from 1999. The Moldovan market absorbs the lion's share of the factory's output. The Chisinau Tobacco Factory cooperates with the French company Seila and British American Tobacco.

**Construction Materials:** This sector comprises about 50 companies that use local raw materials. Annual production capacities in Moldova are the following:

Cement - 2.5 million tons; concrete blocks and items - 2.2 million cubic meters; asbestos - cement pipes and coupling parts - 3 thousand kilometers; gypsum - 110 thousand tons; bricks - 254 million pieces; stone blocks for construction - 460 million pieces; linoleum - 4 million square meters. This branch of industry is expanding in two directions: through increased export of construction materials (cement, gypsum, ceramics) and through

investment in civil engineering. This industry attracted into Moldova two renowned foreign companies – Germany's Knauf and France's Lafarge Corporation – which own one company each.

**Metal Processing:** The metal processing sector is represented by the only Moldovan metallurgic plant, located in Ribnitsa, a city in the breakaway region of Transnistria. Commissioned in 1985, the plant produces one million tons of steel annually. About 95 percent of its output is exported. Along with companies from other countries, the plant has recently been under investigation by the U.S. Department of Commerce on charges of price dumping in the US. The case was settled against Ribnitsa and antidumping duties will be imposed on steel imports from Transnistria.

### 3. Services

**Insurance Services:** Insurance services are becoming more and more important in Moldova's market economy, although statistics show that less than 1 percent of net revenues are spent for insurance in Moldova. The total number of insurance companies in Moldova is 45. In 2000, insurance companies collected a total of ML 108.1 million (USD 8.7 million) in insurance premiums. Although in Moldovan currency terms, this is almost a seven percent increase, in US dollar terms this represents a 10 percent decrease. Insurance companies paid out 47 percent of the collected insurance premiums as damages. Generally, in 2000, insurance companies earned aggregate net profits of ML 4.8 million (USD 0.4 million) on total revenues of ML 199 million (USD 16 million). Few insurance companies are insuring agricultural crops against natural disasters. There is a demand for life, accident and health insurance services, non-life insurance services, and reinsurance and retrocession services. One requirement set by the WTO is the increase of the minimum charter capital of insurance companies from the current USD 23,000 to USD 682,000.

The largest foreign investment in Moldova's insurance sector was made in October 1999 by QBE, an Australian insurer, which invested USD 5 million in Moldova's largest insurance company ASITO, successor of the former state insurance monopoly.

**Legal Services:** As Moldova passes new laws and regulations, Moldovans are in increasing need of legal advice, and in many cases are unable to find expert assistance in these areas. As a result, legal services are unquestionably a growth industry in Moldova. A license issued by the Ministry of Justice is required to provide legal services. A licensed lawyer can provide all legal services, except representation in criminal proceedings, which is permitted only to sworn solicitors. There are several U.S. law firms active in Moldova: KPMG Legal and Taxation Services, which provides legal and taxation consulting, and the law office of Romney Wright, P.C., which provides assistance with visa document preparation. Brodsky Uskov Looper Reed & Partners is a U.S.-Moldovan legal partnership which has represented a number of foreign clients in Moldova. The American Bar Association is also active in Moldova as the U.S. Agency for International Development (USAID) contractor for Moldova's Legal Reform Project. Ernst & Young, which opened office in Chisinau on June 19, 2001, provides both legal and financial advice.

**Communications Services:** Due to Moldova's poor telecommunications infrastructure, more and more private companies are investing in the following areas: mobile telephone services in the GSM-900 standard; business network services; packet-switched data

transmission services; telegraph and telex services; facsimile services; privately leased circuit services; electronic mail; voice mail; and code and protocol conversion. There are over 30 companies in Moldova registered as Internet providers. An encryption technologies firm named Decart is the only such firm on the market.

## Infrastructure

### 1. Telecommunications

Moldova has an under-developed telephone system with only 16 percent of individuals connected to the national network. There is an acute shortage of pay phones, and many rural areas are without service. Direct telecommunication lines link Moldova to all NIS countries, Romania, Bulgaria and Greece. Lines to the rest of the world are supported via satellites through two transit telephone exchange units located in Montreal, Canada and Copenhagen, Denmark.

Moldtelecom, the national telecommunications company, has been upgrading its system. It has signed agreements with a number of Western companies including Denmark's Great Northern Telegraph (GNT), which is investing USD 10 million of the USD 17 million cost of installing an international digital switch system and installing fiber-optic technology between Cahul and Briceni. GNT will recoup its investment during the operation of the system over a period of 13 years. The Cahul-Briceni link, which connects Moldova's South and North and took more than two years to build, connects Moldova's telecommunications system to those of neighboring countries. Moldtelecom plans to upgrade new lines, including those from Balti to Ungheni and Nisporeni, but continues to face a shortage of capital. The Government intends to sell a controlling interest of Moldtelecom starting with 2001.

One of Moldova's largest investments was made in telecommunications. On October 1, 1998, Voxtel, a consortium comprising one French, one Romanian and two Moldovan companies, began to provide mobile telecommunication service in the GSM-900 standard. The company plans to invest USD 65 million in its network up to the year 2007, of which USD 25 million will be provided by the shareholders, USD 10 million by the International Financial Corporation (IFC) of the World Bank, and the remaining USD 30 million by a consortium of Western banks. By that time, Voxtel expects to have 150 thousand clients. Voxtel's services are now available throughout Moldova. The French venture has entered into roaming service agreements with dozens of companies from a number of countries. A second mobile telephony services operator, Moldcell, unveiled its service in April 2000. A Turkish-Moldovan joint venture, Moldcell covers some 40 percent of Moldova. Currently, there are about 100,000 users of mobile telephones in the country.

### 2. Internet

The market of Internet home users is not very well developed. Therefore, the vast majority of Internet users are corporate clients. Nevertheless, all Internet providers offer services meeting the needs of corporate and individual clients. Internet is not as widely used as in the West. Few Moldovan companies have set up websites, even though electronic mail is a tool increasingly used. The most recent advertising campaign by a local Internet provider promotes the idea of using Internet for quick business decisions. Internet is broadly available in large cities, most notably Chisinau and Balti, which have

seen the appearance of an increasing number of cyber cafes. Rural areas, however, have limited access to the Internet due to generally low-quality telephone lines and poor economic conditions.

### 3. Transportation

**Roads:** Moldova depends on its road transport network to ensure both internal movement of products and the export of agricultural goods. Many roads are being upgraded, including 238 kilometers of main highway, under a USD 28.6 million loan from the EBRD. Automobile, bus and truck transport accounts for most of the local transportation, which is 96 percent of cargo movement, and more than 85 percent of passenger travel.

**Trains:** The Moldovan railway system accounts for 95 percent of transborder shipments and extends to 1,318 kilometers.

**Air:** Air transportation is provided by three main airlines: Air Moldova International and Moldavian Airlines, both private air carriers, and Air Moldova, a state company with a 49 percent German investment. Airlines flying to Moldova include Tarom (Romania), Turkish Airlines, and Tyrolean Airlines (Austria). There are connections with 25 foreign cities and with more than 25 foreign airlines. The Chisinau Airport was built in 1974 and currently receives 16-18 planes a day. In June 2000, a Turkish company finished the reconstruction of the Chisinau International Airport under a contract with the Moldovan Government and funding from a USD 12 million EBRD loan. As a result, the airport capacity increased to 400 persons per hour. By 2010, the airport will be able to handle 605 thousand passengers yearly, versus only 196.5 thousand passengers in 1999.

**Water:** River transport is used for merchant shipping on the Nistru (Dniester) River, as well as for the transportation of tourists and local cargo. In early 1995, the Moldovan Government established Terminal S.A., a joint Moldovan-Greek venture to build and maintain an oil terminal in Giurgiulesti on the Danube River in Moldova. The Giurgiulesti facility will increase Moldova's ability to import oil products and thus reduce their cost. The project is currently on hold amid contractual misunderstandings between the Moldovan government and Greek company.

### U.S. Economic Assistance

As the principal U.S. agency responsible for providing technical support to ease transition to a market economy, the U.S. Agency for International Development (USAID) has been working as a partner with Moldova since 1993. USAID has delivered over USD 267 million to assist Moldova's future growth and stability.

The following are some aspects of USAID commercial-related work in Moldova:

**Land Reform:** Assisting farmers and local authorities in understanding their rights, options, and responsibilities in the de-collectivization process, providing technical support for the issuance of legal ownership to non-agricultural land, liquidation of farm debt, and the development of a regulatory structure to support the emergence of a land and real estate market.



**Privatization of Strategic Industries:** In coordination with the World Bank and IMF assistance to Moldova, the USAID Privatization Program also extends to the energy sector, telecommunications, and some of Moldova's largest wineries and grain elevators.

**Commercial Law:** Moldovan commercial law is a confusing patchwork of narrow statutes and an outdated civil code. With USAID experts, a draft civil code has been developed which follows the current European practice of incorporating commercial law provisions.

**International Accounting Standards:** In 1998, the Moldovan Government required that financial statements conform to International Accounting Standards based on new Moldovan National Accounting Standards. USAID has trained over 1,000 professors and practitioners in these standards, designed an undergraduate curriculum in accounting, and supported the development of a Moldovan accounting association.

**Agribusiness Partnerships:** The agribusiness partnership program encourages U.S. businesses to invest in Moldova by providing training, consulting and commodity support. The program also supports private farmer commercialization activities and a network of farm service centers/farm stores to provide farmers access to inputs, technology, credit, and market information.

## I. Regional Economic Integration

### 1. CIS

Moldova has been a member of the Commonwealth of Independent States (CIS) since the breakup of the Soviet Union. While the CIS has activities in the political, military and economic spheres, Moldova has placed more importance on participation in economic agreements. Moldova has been seeking economic integration within the CIS to expand the markets for its products. A Free Trade Agreement signed in 1998 has not been operational due to unresolved issues of customs procedures, licenses and taxes.

### 2. Pact for Stability in South Eastern Europe

Moldova officially joined the Pact for Stability in South Eastern Europe on June 27, 2001. The membership is seen as a preparatory stage for Moldova's European integration. Besides participation in democracy and security programs, Moldova aspires to take part in economic development initiatives sponsored by the Stability Pact. By the end of 2002, a free trade zone will be created in South Eastern Europe as part of the Pact.

## Chapter III: Political Environment

### Political Overview

Moldova gained its independence from the Soviet Union in 1991. In 1994 it adopted a constitution which provides for a multi-party representative Government with power divided among a president, cabinet, parliament, and judiciary. In July 2000, the Parliament amended the Constitution, changing Moldova from a presidential into a parliamentary republic. As a result, the Parliament now elects the President of the country. As a result of a parliamentary standstill in electing a new president, the outgoing President Petru Lucinschi dismissed the Parliament on December 31, 2000

and set February 25, 2001 for early parliamentary elections. In the parliamentary elections, the Moldovan Party of Communists won 71 seats and thus secured an overwhelming majority. The Communists elected their leader Vladimir Voronin as the new President of Moldova. The centrist Braghis Alliance of former Prime Minister Dumitru Braghis won 15 seats, while the rightist Christian Democratic Popular Party the remaining 11. The Parliament voted in a new government headed by Vasile Tarlev, manager of Moldova's biggest confectionery factory Bucuria.

## Political Issues Affecting Business Climate

### 1. Separatist Region of Transnistria

Moldova remains divided, with the separatist Transnistrian region along the Ukrainian border controlled primarily by ethnic Slavs. The Organization for Security and Cooperation in Europe (OSCE), the Russian Federation, and Ukraine act as mediators to resolve the conflict. The two sides have generally observed the cease-fire of July 1992, which ended the armed conflict, but progress toward a comprehensive settlement has been slow at best.

The separatist regime of Transnistria affects the business climate in the region. Few business entities located in Transnistria are officially registered with Moldovan authorities. The region is often used for various forms of fiscal evasion, for businesses importing and exporting goods to the NIS region. Post assistance for American business located in that region is also limited. It is difficult for the U.S. Embassy to advocate for U.S. businesses with the Transnistrian authorities and is not always able to provide regular consular protective services (in case of arrests, for example).

### 2. Gagauzia

A Christian Turkish minority, the Gagauz, enjoy local autonomy in the southern part of the country. Hailed as an example of a successful resolution of inter-ethnic disputes, the Gagauz Autonomous zone has been negotiating with the central Moldovan Government on a number of issues, including: fiscal autonomy; the right to control privatization of assets within the Gagauz territory and hence privatization proceeds; and, the right to open trade representative offices in other regions, including in Moldova's breakaway region of Transnistria. The Government has taken constructive efforts in finding acceptable solutions for the parties involved.

## Civil Society and Business Dialogue

Moldova has made substantial progress in its transition to a democratic and civil society. The business-to-government dialogue had a tremendous boost under previous governments. It has become customary now for the Prime Minister and cabinet members to meet with main industry players to discuss Government policy in such areas as taxation and regulation. Meanwhile, the Government has to improve the environment for small- and medium-sized businesses that remain largely unprotected from government red tape and corruption.

Business-to-business dialogue is strong in some sectors. However, few powerful industrial groups or associations exist that have the power to influence Government policies or market conditions. Major oil importers have organized an association that

lobbies with the Moldovan Government. Another influential group is the Producer's Association of Moldova that represents about 200 major Moldovan companies from a variety of industries. The association has been successful in securing certain tax incentives which would probably not be possible without its members' joint efforts. Another venue for improved business-to-business communication is the Trade and Industry Chamber of Moldova that unites about 800 members. The chamber has been successful in organizing many foreign trade missions, which were not without success.

The business-to-business dialogue would probably need to be stronger in the oil retail market, pharmaceuticals, and information technology.

#### Relations Between the Central Executive and State Authorities

Moldova conducted its most recent local Government elections in May 1999. The elections, accompanied by a restructuring of the administrative territories into ten judets (counties) and two regions with special autonomous status, were conducted in a largely transparent and democratic way as acknowledged by international observers. The new administrative redesign, which is generally in line with World Bank recommendations, was also designed to make the respective territories economically more self-sustainable and to give more power to local Governments. The Communists, who were victorious in the recent parliamentary elections, have discussed another administrative restructuring.

Generally, there is good coordination between the Central Government in Chisinau and local governments in the regions. From time to time, few minor misunderstandings in the central-local government relationship occur, such as the use of appropriated funds for purposes other than the ones indicated or the improper execution of some Central Government orders. Generally, local governments have little or no influence on the local business climate as the majority of fiscal, economic and other policies are still the prerogative of the Central Government. Despite all of that, local governments appear to understand the key role they play in sustaining small business development in their territories and often find ways to actually exercise that role with whatever small means available. For example, some local governments take an active role in encouraging investments in their territories and promoting foreign trade, lobby for establishing free economic zones and setting up business incubators and streamline business registration and supervision procedures.

#### Political Relationship with the U.S.

Moldova-U.S. relations are strong and cooperative. The U.S. is by far the largest bilateral aid donor in Moldova. The U.S. Embassy also serves as the Contact Point Embassy for NATO in Moldova. U.S.-Moldova cooperation covers a broad spectrum of issues, constrained somewhat by Moldova's limited financial resources.

#### Chapter IV: Marketing U.S. Products and Services

##### A. Moldovan Business Attitude Towards the United States

Over the years, Moldovans have developed respect for U.S. products and business methods. U.S. products are considered high quality in Moldova. However, a commonly held opinion among local business people is that, because the United States is at a

great distance from Moldova, final prices on many U.S. products shipped to Moldova will be higher than those for similar European products, mostly due to higher transportation costs. Another commonly held, but erroneous, opinion among Moldovan businesses is that, because the United States Government has played such an important role in aiding Moldova, U.S. businesses should also exhibit some sort of charitable attitude toward local businesses.

#### B. Marketing U.S. products and services

Marketing products in Moldova may be a challenge. Distribution channels are significantly better developed in the capital Chisinau, the country's main economic area with over one million consumers, or roughly one quarter of Moldova's population. Outside Chisinau, sale outlets tend to be much smaller and distribution channels are less developed as they serve a relatively less affluent population scattered on a wider area. Additionally, more and better developed advertising channels and services exist in Chisinau than outside the city. Relatively fewer radio, television and other means of advertising are available in the countryside which accounts for almost half of Moldova's population. With many distribution channels being informal and given the relatively small size of the market, it appears that big retail outlets buy local products directly from Moldovan manufacturers. Foreign goods are brought into the country by big retail outlets and several bigger distribution companies, which, in turn, obtain the products from regional distributors primarily located in Romania, Russia and Ukraine.

U.S. businesses interested in marketing their products in Moldova have a number of options as follows:

Contacting the commercial section of the Embassy for various sales leads and contact information for major local distributors in a variety of sectors;

Participation in local trade exhibitions;

Subscription to BISNIS distribution list for obtaining trade leads in Moldova;

Establishment of a representative office, joint venture or use of other forms of market entry, as appropriate.

The Embassy's Commercial Section customarily helps U.S. businesses locate appropriate local business partners and does various commercial reporting. Upon request, the Embassy will provide U.S. businesses interested in a particular sector with a list of major local distributors who would be likely to carry a particular product. The Embassy will not make a thorough assessment of the business standing of a particular local firm, but will make a reasonable effort to examine any publicly available reports on the merits of the local company. To obtain market studies, credit checks and other business/sector evaluations for Moldova, U.S. businesses are also encouraged to contact specialized local organizations. Additionally, BISNIS, a U.S. Department of Commerce service, will occasionally prepare business sector reports and other information which is posted on the Internet at [www.bisnis.doc.gov](http://www.bisnis.doc.gov).

Some public reports suggest that one should be careful when choosing a local partner. Besides using the offices of the Embassy and those of reputable consulting/specialized firms, U.S. businesses may place a request with the Moldova Trade and Industry

Chamber which presently has over 800 member companies. Other Moldova business multipliers may be approached as well.

Trade shows represent another venue for entering the Moldovan market. Although small by Western standards and with fewer visitors, trade shows organized in Moldova attract companies from many countries of the world, including Western Europe. The experience has been that show participation by U.S. companies was minimal. Exhibitions which are held in Chisinau by two major local show organizers, Moldexpo and Poliproject Exhibitions, are probably the best to visit or participate in. The few trade exhibitions held in other regions of Moldova appear to enjoy less popularity. A list of major trade exhibitions is found in Chapter XII.

Although only tested in Moldova, catalog shows may prove to be an effective way for U.S. businesses to gather sale leads. In May 2000, the Commerce Department's BISNIS program, in cooperation with the Embassy, conducted the first ever U.S. product catalog show in Moldova. The catalog show, conducted during the fifth international packaging exhibition organized by Moldexpo, featured U.S. packaging, labeling and related technologies. BISNIS and the U.S. Embassy planned to conduct another catalog show of U.S. medical companies on September 11-14, 2001.

The BISNIS representative in Moldova is engaged in collecting trade leads from Moldovan companies. These leads are then sent out by email to U.S. companies that subscribed to the Moldova distribution list and are also posted on BISNIS's website ([www.bisnis.doc.gov](http://www.bisnis.doc.gov)). For more information, please contact BISNIS at [bisnis@ita.doc.gov](mailto:bisnis@ita.doc.gov) or call (202) 482-4655.

Another option for U.S. businesses to pursue is to open an office in Moldova. Although requiring more effort and commitment than other options, such a strategy may give U.S. businesses a better grasp of the Moldovan market.

U.S. businesses can freely associate themselves with local companies, open up representative offices, or register fully-owned or partially-owned ventures in Moldova. Foreigners can own 100 percent stakes in a business registered in Moldova without any other restrictions. Also, Moldova has liberal foreign investment policies (for an in-depth look at Moldova's investment climate statement readers are referred to Chapter VII).

The form of incorporation to be chosen is dependent on the U.S. business's strategy. The major forms of incorporation available in Moldova are: representative office, joint-stock company, limited liability company and sole proprietorship. U.S. businesses may prefer to seek majority ownership stakes in joint ventures to minimize risks in an already uncertain commercial environment. The Embassy often warns U.S. businesses about potential dangers of doing business in the breakaway region of Transnistria. As some recent experiences suggest, U.S. businesses may encounter complete lack of cooperation from Transnistrian partners and authorities after investments and other long-term commitments had already been made.

Although it is relatively easy to register a business in Moldova, U.S. companies are advised to use the services of an attorney. A number of firms offer business registration and representation services (see partial list in Chapter XI).

Normally, business registration takes up to 15 days once all the documentation is turned in to the state registration chamber. For an additional fee, registration may be done within a few days. Generally, the official registration fee is USD 300 for a joint venture and USD 500 for a representative office. Additionally, a fee amounting to 0.5 percent of the registered share capital is levied at registration. Note that U.S. businesses must submit copies of registration documents, which need to be legalized in the United States. An additional legal requirement is that, depending on the legal form of ownership, a specified legal minimum for charter capital will have to be provided for as well.

#### C. Direct Marketing

Direct marketing is a method largely unknown to the Moldovan consumer. With the exception of the traditional direct marketers, such as Zepter (cookware), Amway and some other beauty and health product marketers currently active in Moldova, no other companies engage in a major way in this form of promotion. Direct marketing is probably not an effective marketing tool in Moldova, mostly because to be successful, it requires the presence of a rather large middle and upper class. The widespread use of direct marketing techniques is also hindered by the limited use of credit cards and few Internet users, especially among the older generation, which is traditionally a wealthy segment in the West. Moldovan consumers have perhaps not grown accustomed psychologically to sales pitches which may be considered the norm in Western markets.

#### D. Sales Factors

With Moldova being a small market, targeted sales are likely to yield better results. Following is a listing of customer categories which may present increased buying potential:

Moldovan enterprises that export for hard currency. This category is represented by canning factories, wineries and exporting food-processing companies.

Development projects financed by international organization, such as the ones financed by the European Bank For Reconstruction And Development and the World Bank micro-financing arrangement.

Moldovan enterprises with good domestic cash flow, among them meat processing companies, canning factories, milk processing firms, wineries, confectioneries and others.

Recently privatized companies.

#### E. Business Practices

Generally, Moldovan businesses are only learning the commercial practices which are now widespread in the industrialized world. Although it may be considered subjective, a common profile of a Moldovan business person follows:

- Age 20 to 55 years.
- Generally well educated and increasingly familiar with Western business practices.
- May start a business without a clear understanding of the business itself and its strategy.

- Still developing a business culture that takes into account management concerns for employee needs, especially at formerly state-owned companies.
- Beginning to see the need for market studies and customer profile reports.
- Still developing Western-style financial management practices.
- For business purposes, uses mostly the Russian language, although may speak Moldova's official language (Romanian) at home.
- Beginning to understand the need to develop brand awareness or initiate advertising campaigns.
- Beginning to understand the need to use Internet and email as a useful business tool.
- Understands the importance of personal business contact. Always prefers doing business in person, rather than on the telephone and fax or by delegating authority.
- Being late for business meetings is not considered uncommon.
- Personal relationships are considered at least as important as signed official agreements.
- Generally, few speak foreign languages. The younger generation has a better foreign language proficiency. Traditionally choosing French as a foreign language, many young Moldovans nowadays prefer to study English.

#### F. Advertising and Trade Promotion

The advertising sector in Moldova has developed and gained in importance in the 1990s as a market economy has emerged. Advertising of Western goods and services currently accounts for the lion's share of spending, including advertising sponsored by locally established joint ventures. Two prominent Western advertising agencies are active in Moldova: Grey and Ogilvy Mather. Moldovan advertising regulations are not well developed. Also, Moldovan companies face a limit on the amount of advertising costs they can deduct from their taxable income, thus making spending on advertising less appealing. U.S. companies may use a variety of advertising forms, of which television appears to be the most effective, at least in the Chisinau area. Advertising in print media is also considered an effective form of advertising in Moldova. Some of the most popular general and specialized publications in Moldova are:

- |                                       |   |
|---------------------------------------|---|
| -- Komsomoliskaya Pravda (tolstushka) | weekly paper, Russian-language                |
| -- Makler, Chisinau Friday issue      | weekly classified ads paper, Russian-language |
| -- Ekonomicheskoe Obozrenie           | weekly business newspaper, Russian-language   |
| -- Banki i Finansy-Profit             | monthly finance and banking journal,          |
| Russian- and Romanian-language        |   |
| -- Observatorul Economic              | monthly business journal, Romanian-language   |

Advertising on the Internet has only recently gained acceptance in Moldova. No studies were carried out on the effectiveness of such advertising tools. A few Moldovan gateways which have banners posted are: [www.moldovacc.com](http://www.moldovacc.com), [www.ournet.md](http://www.ournet.md), [www.try.md](http://www.try.md).

A brief list of Moldovan advertising agencies is included in Chapter XII.

#### G. Product Pricing

Due to a suffering economy, Moldovans are price sensitive, especially in relation to basic foodstuffs, utility services, clothing, and footwear. Attempts to raise fares on Chisinau city public transportation routes met with resistance from students and other socially vulnerable classes, resulting in violent street demonstrations.

This is not to say that higher-end items or services will not sell at relatively higher prices. Anecdotal evidence suggests that some wealthy “new Moldovans” engage in buying sprees.

On the business side, firms appear to prefer old but refurbished equipment which normally comes at lower prices.

Generally, Moldovans have yet to witness serious price battles among competing brands and stores. One such example which is unfolding at present is the increasingly fierce competition between two mobile phone operators.

#### H. Government Procurement Practices

According to current Government procurement practices, for purchases in excess of ML 45,000 (approximately USD 3,500) a public tender should be announced. Until recently, Government procurement tenders were conducted for some of the following: foodstuffs, clothing for the military; various medicines and medical equipment; computer and office equipment; coal and vehicles. According to the tender procedures, a tender may not be announced until the Ministry of Finance, the Government’s finance watchdog, certifies that a certain Government institution requiring the goods has enough financing available. Despite these practices, the Government may run, as it did in the past, into financial constraints. Therefore, given the above and the Government’s pressing need to meet its spending targets, U.S. businesses are advised to approach such tender notices with caution. Government procurement tenders do not preclude foreign contenders from participating. Also, there are no restrictions as to the origin of goods. According to the 2001 Budget Law, purchases in excess of ML 100,000 (about USD 7,800) must be organized through the National Agency for Public Procurement. The Agency announces tenders in its bulletin, which is as a rule published in the Russian-language newspaper “Ekonomicheskoye Obozrenie”. Tender announcements often provide incomplete tender information and give insufficient time for companies to prepare all paperwork.

#### I. Office Rental And Business Services

Generally, good-quality office space is widely available at acceptable prices. The monthly rent for a downtown, medium-to-high class office in the capital city of Chisinau, including office furniture, air conditioning, heating and other utilities, does not exceed USD 20 per square meter. Good, quality office space is available at some of the following locations in Chisinau: Kentford, Petrolbank, TIS Business Center, Jolly Allon Hotel, Alfa (former TV factory) and ASITO office building.

Since the privatization of three out of five electric distribution companies in late 1999, power supply has become normal in the territories served by the privatized power distributors, including the Chisinau area. However, temporary power outages due to high debts have recently paralyzed public transport in Chisinau.



U.S. companies may rent or buy office equipment locally. A number of dealers carrying well-known information technology brands from such leaders as Hewlett Packard, IBM, Apple, Oracle and other leading firms, are active in the country. Locally assembled computers and local network integration solutions, which sell at substantially lower prices than in the West, are available.

Because the Internet, access the services market has become more competitive in recent years and prices have declined significantly. Prices for unlimited dial-up access to the Internet, with a free email account, web page and callback service, may range from free of charge to USD 20 per month. Depending on the access speed desired, dedicated Internet access costs anywhere between USD 65 and USD 1,200 per month, with the top speed being 256,000 bits per second.

Labor is relatively cheap in Moldova. Employees of Western firms, receiving wages in the range of USD 100 to 800 per month, generally get paid much better than those employed by local companies. Generally, there is no difficulty in hiring English-speaking secretaries and English translators, although specialized English-speaking personnel may be harder to find. The Embassy can make available to interested U.S. businesses a list of potential English translators and local recruiting agencies.

Mail and courier services are available in Moldova through DHL, UPS, TNT, FedEx, Airborne Express and other delivery service providers.

Moldova is among the leaders in the former Soviet Union in making the transition to the International Accounting Standards (IAS). Moldova has adopted most of the needed national standards which are in compliance with the IAS, although some issues regarding comparability of national and international accounting standards remain. In assessing financial statements of Moldovan companies, U.S. businesses are advised to contact local seasoned professionals. Professional auditing and accounting services are available from local and international firms. The Embassy's Commercial Section may provide upon request a list of auditing and accounting companies experienced with local accounting practices.

## Chapter V: Leading Sectors for U.S. Exports and Investment

### A. General

In 2000, trade between the United States and Moldova more than doubled, reaching USD 64.6 million. This growth was due to a three-fold increase in U.S. exports to USD 48.6 million. Leading U.S. exports to Moldova were products from the following product categories: chemical products; optical devices and medical instruments; food products; meats and fats; electrical machinery; textiles; books and newspapers. These accounted for 90 percent of all U.S. exports to Moldova. The most notable increase in exports in 2000 over 1999 was recorded in the categories optical devices, medical instruments and chemical products. This increase is accounted for by an increase in humanitarian donations of medical supplies and equipment from the United States in 2000. In 2000, Moldova's exports to the United States increased by USD 1 million or 7.4 percent as compared with 1999. Moldova mainly exported textiles and clothes to the United States. These categories represented 80 percent of all U.S. imports from

Moldova and increased 37 percent from 1999. This largely reflects a fee-for-service arrangement between Moldovan knitwear companies and their U.S. partners.

Since gaining independence in 1991, Moldova attracted some USD 360 million in foreign direct investments (FDI), according to an official statistical report (Note: this figure is likely to understate the actual FDI into the country as it is derived from companies charter capital, leaving out any subsequent investments. End note.) Of this amount, USD 145 million represents the stake Russia's Gazprom secured in a debt-for-equity swap in the country's gas monopoly Moldovagaz. The United States is the third largest single-country investor in Moldova after Russia and Spain, with U.S. investments amounting to roughly USD 37 million or 10.5 percent of the total cumulative foreign investments in the country. Leading sectors for U.S. investments are: trading; food processing and beverages; hotels and restaurants; agriculture; transport and communications; oil and gas exploration and extraction.

In 1998, the Government of Moldova established the National Agency For Attracting Investment. The agency has determined these priority areas for foreign investment: tourism (health spas, hunting, picturesque and historical places, and wine tourism); transport (transportation of goods, tourism, and warehousing); agriculture (food processing, wine, tobacco, vegetable, corn and soya oil, milk and meat production); construction materials; and light industry. Moldova is particularly keen on attracting hi-tech investment.

## B. Significant Investment Opportunities

### 1. Moldtelecom

The Government's intention is to privatize the telephone monopoly Moldtelecom by the end of 2001. The government has already selected Austria's Raiffeisen Investment as the financial consultant for the privatization of the company. The next step will be the announcement of a privatization tender and selection of a strategic investor.

### 2. Other privatizations

In the fall of 2000, the Moldovan Parliament passed a law on privatization of wine and tobacco companies. All in all, the Government plans privatize five wineries and seven tobacco companies. The law helped resume relations with the international financial institutions. Part of the IMF conditionality, Moldova is slated to privatize two wineries in 2001. Prime Minister Vasile Tarlev stated that the Government set up a commission in June for that purpose.

The following wineries and tobacco companies are scheduled to be privatized: Aroma in Chisinau, Calarasi-Divin in Calarasi, Barza Alba in Balti, Vismos in Chisinau, Nis-Struguras in Nisporeni, and Tutun-CTC in Chisinau, Nord Tutun in Cupcini, Ferment Tutun in Drochia, Falesti, Floresti, Orhei, and Soldanesti.

The government plans to complete the privatization of the remaining two electricity distribution companies – RED Nord and RED Nord-Vest – as well as three power generating companies – CET-1, CET-2 and CET-Nord.

Privatization of agricultural land is over in most of Moldova, but will continue in Gagauzia, an autonomous region in the south, and Transnistria, a breakaway region in the east, that only recently joined the national land privatization program. Foreigners are not permitted to purchase agricultural land.

### 3. Transportation

The transportation sector represents a number of opportunities for American investors such as repair services, remanufactured parts, and supply of new and used automobiles (in particular, buses and minivans).

### 4. Medical Sector

A USD 20 million program for modernization of Moldova's health facilities sponsored by the World Bank and the Government of Netherlands over a five-year period was recently approved by the Moldovan Parliament. The project involves hospital renovation, purchase of ambulances, and supply of medical equipment.

## Chapter VI: Trade Regulations, Customs, and Standards.

### A. General

The most important trade regulations are listed in these laws:

- "On The Regulation Of Import And Export Of Goods And Services" no. 188-XII (07/26/90);
- "On The Bases Of Foreign Economic Activities In Republic Of Moldova" no. 849-XII (01/03/92);
- "On The Customs Tariff" no. 1380-XIII (11/20/97);
- "On The Customs Code" no. 1149-XIV (07/20/2000);
- "On the Tax Code" no. 1163-XIII (04/24/97);
- "On The Regulation Of Repatriation Of Money Resources, Goods, Works And Services Proceeding From Foreign Economic Transactions" no. 1466-XIII (01/29/98); and
- The 2001 Budget Law no. 1392-XIV (11/30/2000).

In addition, there are a number of Government resolutions such as "On The Performance Of The Production Certification In The Republic Of Moldova" n.414 from 06/13/94, which establishes the list of imported goods requiring certificates of conformity; and "On The Improvement Of The Foreign Trade Regulating Mechanism" n. 777 from 09/13/97, which further liberalized the import and export of goods. In June 2000, after adoption by the Parliament, the Law On Technical Barriers To Trade (no. 866-XIV, March 10, 2000) was enacted as part of Moldova's effort to complete its accession to the World Trade Organization.

## B. Customs Regulations, Taxes And Tariffs

### 1. Customs Regulations

At present, an importer has to present 11 documents at the Moldovan border crossing point. The documents are: a supplier's price bid; an invoice; a sale/purchase contract; transportation documents (with seals of the exporting country and of transit countries); a commodity insurance contract and insurance policy; data on the importer's accounting; a hard-currency payment order from a bank; a statement of the hard-currency account that was used to pay for the goods; a document proving the goods' acceptance; a contract for the goods sale on the domestic market; and a document for receiving hard currency through an exchange at the hard-currency market.

In 1998, the Moldovan Government enacted a strict resolution to control customs costs of some imported goods. This supplement to the customs regulations indicates the indicative prices for a variety of imported goods. If the price of a commodity claimed by the importer is below the listed amounts, the importer will have to provide additional information to prove the price claimed.

### 2. Customs Tariffs

The customs tariffs for imported goods are applied according to the Customs Tariff Law and 2001 Budget Law. Besides tariffs, all imports are charged a value-added tax of up to 20 percent, as well as an excise tax (if the item is subject to the excise tax). Additionally, importers must pay a 0.25 percent tax for customs procedures which may not exceed 900 euros for all the items attributable to each nine-digit harmonized system code.

Exemptions: customs tariffs are not applied to goods produced and imported from Romania and countries members of the Commonwealth Of Independent States that have ratified free trade agreements.

### 3. Value Added Tax (VAT)

The value-added tax generally applies to all goods and services sold in Moldova (the breakaway region of Transnistria is an exception). The general VAT rate used is 20 percent of an item's sale value, although a number of exceptions exist as stipulated in the Tax Code and the Budget Law 2001. For imported goods, the value-added tax is generally payable at the border before the goods can actually enter the country.

Goods imported into Moldova, under agreements for technical or other assistance, are charged a zero rate of value-added tax. These agreements include such organizations as the United Nations, IMF, World Bank, EBRD, OSCE, Soros Foundation, U.S. Government technical assistance projects, TACIS, Red Cross and some other institutions/aid programs. Additionally, the following categories of goods are not charged the value added tax per the Budget Law 2001: some goods intended for children (including baby food for babies up to one year old), adapted milk mixtures, homogenized juices, school and children materials; a variety of machinery for the power, food, textile, metal processing and other industries. Other value-added tax exemptions and facilities exist as per the Tax Code and the Budget Law 2001.

Items brought into the country for personal use are exempt from VAT, provided they fit the categories and are in quantities indicated in annex 3 of the Budget Law 2001. Business travelers can enter only one portable computer per person into the country without the assessment of taxes/duties/payments. The portable computer can contain encrypted and other software for which no levies will be assessed. Exceptions are materials which are detrimental to public morals.

#### 4. Excise Taxes

Excise taxes are stipulated in the Tax Code, Title IV.

Excise taxes are charged on goods consumed in Moldova, both produced locally and imported.

The imports and sales of vodka, liqueurs and other alcoholic drink; grape, fruit and berry wine; sparkling wine; brandy and cognac; tobacco products, coffee, perfumes and furs are allowed by customs and fiscal bodies if they were marked with excise stamps during their production. These goods can be imported without these stamps by individuals for personal use in the amounts established in the 2001 Budget Law and the Tax Code. Excise stamps for imported goods are sold by the Customs Control Department. Gasoline and diesel oil, home electronics and automobiles are subject to excise taxes as well. Certain excise tax exemptions exist.

#### 5. Special Import/Export Requirements

##### Import licensing

A license for import of weapons, explosive substances, nuclear materials, technologies, equipment and installations is issued by a special committee of the Moldovan Government. The Ministry of Health must license the import of pharmaceutical products and related chemical substances. The Ministry of Agriculture and Food licenses the import of poisons, chemical and biological products for plants, and the instruments and apparatus for veterinary medicine. The Ministry of Finance must license the import of precious metals (silver, gold) and products thereof; alloys; semi-finished products which contain precious metals (except electronic products which contain precious metals); petrol and diesel oil; as well as for the import of alcoholic beverages and tobacco products.

In March 2000 the Government of Moldova signed a contract with the Swiss company SGS, which was awarded a three-year contract for pre-shipment inspection of imports into Moldova. However, already in May the constitutional court invalidated this contract on grounds that the Government lacked the necessary authority to conclude such an agreement. It remains to be seen whether new attempts to introduce pre-shipment inspection will be made.

##### Export Certification

U.S. companies desiring to export to Moldova must be sure that Moldovan certification requirements are met before shipping goods. Under Moldovan law, a wide range of goods and services including all kinds of food and food byproducts, food-processing and

packaging equipment and materials, alcoholic and other beverages, tobacco, wood products, various types of clothing, and most recently building materials must be certified before they can be imported into Moldova. The Moldovan Department of Standards and Technical Supervision (Moldovastandard) issues certificates of conformity to Moldovan standards using procedures recommended by the international certification organization.

Goods with international product certification:

If a product already has international product certification, the certification process in Moldova starts with submission of an official application form along with other documentation regarding the product's international certification. No later than one month from the time of the initial application, a foreign company applying for Moldovan product certification should receive a response on the validity of its product's international certification in Moldova. The following documents should be submitted along with the application form: a notarized copy of the foreign certificate; legal documentation relating to the certification; if relevant, a copy of the record of a previous certification examination; and if relevant, a graphic illustration of the product's certification sticker. Documents required for certification should be prepared in Romanian. English-language documents should have a notarized translation into Romanian.

Goods without international product certification:

If goods arrive in Moldova without international certification, the importer must pay deposit fees to the Moldovan customs office, and the goods cannot enter the country. If goods do arrive without a certificate, the imported products must be held at a Moldovan customs warehouse, where they must remain until a certificate of conformity is presented to customs officials. Storage is expensive and requires additional documentation, such as a security certificate.

Moldovastandard supervises several certification agencies that conduct certification analyses on a fee-for-service basis. Required application forms are provided by the entity that will ultimately issue the certificate. After the fee has been paid, the certification body provides the company with all forms necessary for the certification process.

Hygienic certification:

In some cases products must undergo a hygienic examination before a certificate of conformity can be issued. A certificate of hygiene is obligatory for foodstuffs and related raw materials, various products for children, water-supply equipment and materials, and other products. A certificate of hygiene must be issued by the state sanitary inspectorate before the product is imported into Moldova. It can be granted either on the basis of an international certificate of hygiene already issued or on the result of local examination. The certificate will usually be issued 15 days from the date the relevant information is submitted. In the case of complicated laboratory examinations, issuance should occur after no more than a month.

GSP: the Republic of Moldova benefits from the Generalized System of Preferences (GSP), granted by the member states of the European Union, Japan, Canada, and the

U.S. The Ministry of Economy issues certificates of origin for the export of goods that benefit from the GSP.

#### Labeling requirements

Effective May 15, 2000, two general sets of labeling requirements exist: for foodstuffs and non-foodstuffs. These requirements do not apply to medical equipment and medicines, polygraphic items and some other specialized products. Romanian-language text on products imported and sold in Moldova is obligatory. Text in other languages may be used in addition to the Romanian text.

The following information is required on food items imported and sold in Moldova: product name, name and contact information for the producer, packaging company, exporter and/or importer; country of manufacture, brand name (if applicable); net weight, volume or quantity, list of ingredients, nutritive value, storage instructions, validity period, date of production, information regarding product certification, information on special product treatment methods (if applicable), bar code (if assigned), other information.

As for non-food items, labeling requirements are as follows: product name; country of manufacture; name and contact information for the producer, packaging company, exporter and/or importer; main product function or area of use; safety, storage, transportation and efficient use rules as well as repair, rehabilitation and disposal instructions; basic product characteristics; information about certification; net weight, dimensions and/or quantity; product ingredients; brand name; date of production; term of validity or period of functioning, including warranty period; bar code (if assigned); other information.

#### C. Free Trade Zones

The investment climate statement prepared by the Embassy discusses the free trade zones located in Moldova and their activity (see the following chapter).

### Chapter VII: Investment Climate

#### A. General Description

##### 1. Openness to Foreign Investment

Previous Moldovan Governments created an adequate legal base with favorable tax treatment for foreign investors. A new government lead by Prime Minister Vasile Tarlev has also declared an interest in attracting foreign direct investment. According to the government program for 2001-2005, State policy envisages creation of a favorable environment to attract foreign investment and foreign investment promotion in the production sector, particularly in scientific and high-tech production areas. Moldova's traditional areas of economic activity, food processing and wine making, are potential business areas for attracting foreign investment. The government also expressed its interest in foreign investment participation in meat production.

The Constitution of the Republic of Moldova guarantees the inviolability of investments by all physical and legal entities, including foreigners. Key constitutional principles include the establishment of supremacy of international law, market economy, private property, provisions against unjust expropriation, provisions against confiscation of property, and separation of power among government branches.

In addition, the Law on Foreign Investments provides the legal framework for the activities of foreign investors and enterprises in Moldova. The law defines foreign investment, provides guarantees on the repatriation of profits, and it protects foreign investments.

Other significant laws affecting foreign investment are: the Law on Property, the Law on Entrepreneurship and Enterprises, the Law on Joint Stock Companies, the Law on Small Business Support, the Law on Financial Institutions, the Law on Franchising, and the Tax Code. Moldova has a liberal investment system.

Current legislation is based on the principle of nondiscrimination between foreign and local investors. However, ownership of agricultural land is restricted to Moldovans.

There is no screening per se for foreign investment in Moldova. However, the Anti-Monopoly and Competition Department in the Ministry of Economy must approve companies with foreign equity exceeding USD 5 million.

The law on Foreign Investment permits foreign investment in all sectors of the economy. The only limits relate to state security interests, anti-monopoly legislation, standards of environmental protection, health of the population, the social order, and moral norms.

Only state enterprises, not private firms or foreigners, are permitted to participate in the following activities:

- sale and production of narcotic, toxic, and poisonous substances;
- sale and production of combat and special military technical equipment; and
- some types of medical care and treatment.

In addition, there are certain activities where both foreign and domestic private enterprises must obtain a state license.

Moldova has adopted several programs since the privatization process began in 1994. The first program allowed privatization via National Patrimonial Bonds (NPBs), similar to vouchers. Foreigners were not permitted to participate. The second, in 1995-1996, consisted of privatization via NPBs, for Moldovans only, and privatization via cash transactions for both locals and foreigners. The third program, in 1997-1998 (extended through 1999-2000), involved only cash privatization. Foreign investors were welcome to participate. That program also gave some privileges to local investors: Moldovans could pay for a privatized asset in installments (a 25 percent downpayment with fixed, quarterly payments for 3 years), while foreigners had to pay the purchase price in full.



The 1998 program was extended for 2000 with modifications, including a list of enterprises to be privatized. The amendments also included a provision to sell bankrupt enterprises or unfinished construction items for the symbolic price of one Moldovan Leu (about seven U.S. cents). Currently, the Moldovan government is in the process of defining a new Privatization Program for 2001 with promises to include some new approaches.

The Spanish company Union Fenosa purchased three of five electrical distribution companies in late February 2000. In March 2000, the government of Moldova announced an open international tender for the privatization of two electrical distribution companies and three combination heat and power production plants. None of the companies were privatized in 2000. In 2000, the Moldovan parliament rejected individual projects for the privatization of the tobacco sector and five wineries, originally authorized by the government.

The new Moldovan government announced readiness to put up the two state electricity distribution companies for a tender again in 2001. In June 2001, a special governmental commission announced that the Austrian Investment Bank Raiffeisen was the winner in an international tender for consultant selection for the privatization of the national telephone company, Moldtelecom. Once privatization documents are developed by Raiffeisen they must be approved by the Moldovan Privatization Department and the World Bank.

Moldovan Law on Foreign Investment prohibits discrimination for the purpose of hindering foreign investments, utilization and liquidation of foreign assets, and interference in repatriation of capital investment and profit associated with foreign investment. Local companies and foreigners are treated similarly with regard to licensing, approval, and procurement. The registration process is, however, bureaucratic, costly and non-transparent, and the process of getting a state license or approval can itself be very bureaucratic and lengthy.

During the 1998-1999, foreign investment slowed primarily due to the 1998 Russian financial crisis and a break in IMF and World Bank financial support in 1999. In 2000, annual foreign investment inflows once again reached 1997 levels and continued to grow in the first quarter of 2001. Note: Moldova failed to fulfill IMF conditionality, when parliament refused to privatize the wine and tobacco sectors in 1999. The IMF resumed its support in December 2000 by giving USD 12 million tranche (the first one out of USD 142 million for a three-year period), and cut its support again in March 2001 with no indication as to when it would resume in the near future. End note.

## 2. Conversion and Transfer Policies

There are no restrictions on the conversion or transfer of funds associated with foreign investment in Moldova. After the payment of taxes, foreign investors are permitted to repatriate residual funds. Residual fund transfers are not subject to any other duties or taxes and do not require special permission. There have been no recent changes and there are no current plans to change remittance policies. There are no delays in the remittances of investment returns since domestic commercial banks have accounts in leading multinational banks.

There are no difficulties associated with the exchange of foreign or local currency in Moldova. There was a period of MDL depreciation in late 1998-1999 after the 1998 Russian financial crisis. However, the MDL has been mostly stable in 2000-2001 with the exchange rate fluctuating around MDL 12.5-13.0 per U.S. dollar.

The Law on Foreign Investments (Art.42) guarantees foreign investors the unlimited right to transfer foreign currency, including profits, abroad after any taxes have been paid. The Embassy has no information on complaints from major U.S. investors regarding the converting or transferring of funds associated with investments in Moldova.

### 3. Expropriation and Compensation

The Law on Foreign Investments (Art. 39) states that foreign investment cannot be expropriated, nationalized, or subjected to any other similar measures without appropriate compensation. Compensation must correspond to the value of the lost investment at the time of expropriation or nationalization. Compensation must be paid in the currency in which the original investment was made, no later than three months from the date of expropriation. The compensatory funds may be repatriated without restriction.

While there have been no reported incidents of the Government of Moldova seizing assets, the Embassy received reports from the Spanish electrical distribution company, Union Fenosa, that in the course of disputes with municipal authorities in Chisinau, some Union Fenosa bank accounts were frozen on several occasions. Also, about USD 600,000 was transferred from Union Fenosa bank accounts without the company's permission. Union Fenosa has filed a lawsuit over the action, but as of July 2001, the company has not gotten the money back. In February 2001, the donor community in Moldova, including the World Bank, IMF and several embassies, held a special meeting to discuss Union Fenosa's problems and the perceived deterioration of the investment climate in Moldova. Since the new Communist government came to power, Union Fenosa officials say their situation has improved. The Embassy does not expect expropriatory actions in the near future. The government has given no evidence of intent to discriminate against U.S. investments, companies, or representatives with expropriation. No special sectors are at greater risk of expropriation or similar actions in Moldova.

Only Moldova's land ownership law specifically requires local ownership, and this applies only to agricultural land. Previous government officials had indicated that these restrictions would be gradually relaxed. Nothing, however, changed in 2000. At this time, foreigners are permitted to buy all other forms of property in Moldova, including land plots under privatized enterprises and land designated for construction.

There was no "creeping expropriation" or governmental action tantamount to expropriation in Moldova. In June 2001, however, the parliament introduced amendments to the Bankruptcy Law which stipulate conditions when state authorities may place under the state control private bankrupt enterprises during bankruptcy procedure.

Investors should be aware that although the territory east of the Nistru River is recognized by the international community as part of Moldova, it is in fact under the control of separatists who refuse to recognize legitimate Moldovan authorities in

Chisinau and have set up a self-proclaimed state called Transnistria. As a result, Moldovan law is not applied in those areas. The U.S. Embassy regularly warns potential investors who are considering doing business in this region that the Embassy is extremely limited in its ability to assist U.S. companies that feel they are not being treated fairly under local law. One such case in 2000 involved the U.S. company Crown Cork and Seal. Crown Cork and Seal officials say they imported packing equipment and other capital, then were forced out by the local factory manager with the collusion of the Transnistrian "government." Crown Cork and Seal representatives reported that they were harassed by Transnistrian "authorities" until company management decided that they could not guarantee the safety of Crown Cork and Seal employees, and decided to pull their people out.

#### 4. Dispute Settlement:

Recently, there has been only one investment dispute in Moldova. It involved the "Technovax" company of Greece. "Technovax" and the Government of Moldova are both shareholders in the "Terminal" Joint Stock Company. Both are supposed to fulfill commitments to build an oil terminal near the village of Giurgiulesti on the Danube River in southern Moldova. The Giurgiulesti Oil Terminal is currently the country's largest project. The Government of Moldova has had difficulty in fulfilling its obligations. To solve this problem "Technovax" and "Terminal" applied to the London-based International Arbitration Court, UNCITRAL - United Nations Commission of International Trade Law International Court of Arbitration. In 2000, the UNCITRAL postponed hearings at the Moldovan Government's request. According to local experts, the government's failure to meet its contractual commitments may eventually cost some USD 25 million to Moldova. Resolution of this dispute is still unclear.

Moldova's legal system has improved in recent years. Moldova has a documented and consistently applied commercial law. Continuous efforts are made to bring the local law up to international standards. As a result of years-long negotiations in connection with Moldova's accession to the WTO, the legislation was brought up in accordance with WTO rules. The main problem remaining is the lack of efficient implementation of the law.

Moldova has a four-level court system that ensures the right to appellate review. The judicial system is still poorly developed, but basically free of corruption. Courts are generally perceived as independent from government interference, especially at the top two levels, the Court of Appeals, and the Supreme Court of Justice. Moldova is a signatory to the International Convention on the Acceptance and Enforcement of Foreign Awards.

The Bankruptcy Law is not applied effectively. In 1998-2000 Moldova attempted to modify the existing law. Under Bankruptcy Law, creditors have the right to require total payments of debt. Before creditors receive payment, however, legal and administrative costs of the proceedings must be paid. In order of precedence, secured creditors are repaid before unsecured creditors. In a report on the Legal System in Transition Economies, which was published by the EBRD in 2000, Moldova was assigned a 44 percent index on a 100 point scale, based on the perception of Moldovan lawyers concerning the effectiveness of local bankruptcy laws. Moldova ranked slightly higher

than Russia and Poland, but lower than Slovenia and Hungary. In June 2001, the new parliament began amending the law again.

The Government of Moldova accepts binding international arbitration of investment disputes between foreign investors and the state.

Moldova is a member of the International Center for the Settlement of Investment Disputes (ICSID - Washington Convention); and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Moldova has also ratified various trade agreements establishing bilateral investment protection. There is also a MFN agreement and some customs exemptions with the United States.

#### 5. Performance Requirements/Incentives:

The Government of Moldova is in compliance with WTO TRIM's notification.

The law on Foreign Investments provides incentives in the customs area. Investments that contribute to the formation and enlargement of the aggregate capital of an enterprise are exempt from customs duties (Art. 35). Imported raw materials and semi-finished products used to manufacture export goods are also exempt from customs duties (Art. 36).

In 1998, some tax incentives (available in previous years) were excluded from the Law on Foreign Investment. However, according to this law (Art. 43), foreign investors and enterprises with foreign investments that enjoyed customs, tax, and other privileges in accordance with previous Moldovan legislation have the right to retain these privileges after the new legislation goes into effect.

There are no special requirements for investors to purchase from local sources or to export a certain percentage of their output. There are no special requirements that nationals own shares within a company. Both joint ventures and wholly foreign-owned companies may be set up in Moldova. However, individual privatization projects in sectors such as energy, telecommunications, wine, and tobacco may have specific requirements.

While not official policy, for strategic sectors of the economy such as energy, the Government of Moldova prefers to have experienced foreign investors instead of local investors. In all other sectors, foreign and local investors are treated the same.

Procedures for implementation requirements are described in the Law on Foreign Investment. Foreign investors are required to disclose the same information as local ones. There are no discriminatory visa, residence, or work permit requirements inhibiting foreign investors in Moldova.

Moldova has commercial relations with around 90 countries worldwide. It has a liberal commercial regime. The weighted average import tariff was 4.8 percent in 1999 (using 1998 trade weights), and 4.5 percent in 2000 (using 1999 trade weights). According to the Tax Code, Moldovan exports are exempt from value added tax.

#### 6. Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish and own business enterprises and to engage in all forms of remunerative activity.

Private entities have the right to freely establish, acquire, and dispose of interests in business enterprises. The same standard is applied to both private and public enterprises with respect to access to market, credit, and other business operations. In practice, the market is not yet fully developed.

## 7. Protection of Property Rights

The legal system protects and facilitates the acquisition and disposition of all property rights. Moldova has adopted laws on property and on mortgages. The system for recording property titles and mortgages is still under development.

Moldova adheres to key international agreements on intellectual property rights. Moldova is a signatory to the International Convention on Intellectual Property, signed July 14, 1967 in Stockholm.

Moldova has adopted local laws and governmental decrees to protect intellectual property, patents, copyrights, trademarks, and trade secrets. Although many basic policies are in place, there is little active enforcement or protection.

Moldova recently became a member of the World Trade Organization (WTO). Mike Moore, General director of WTO and Vasile Tarlev, Prime Minister of Moldova signed the accession agreement on Tuesday, 8 May 2001 in Geneva. The Moldovan parliament ratified the Law on Accession to the WTO June 1.

## 8. Transparency of the Regulatory System:

Moldova's objective is to provide a transparent business environment for both domestic and foreign investors. The legal framework for anti-monopoly regulation is the Law on the Limitation of Monopoly Activities and the Development of Competition. The law establishes fundamental principles, based on EU standards, for regulating the activity of enterprises with a de facto monopoly and for support and development of competition.

Moldovan laws generally do not distort or impede foreign investment; however, the Law on Land Use does not allow foreigners to buy agricultural land.

The establishment of a company with foreign investment generally does not require approval. The manner and terms of registration are similar to those envisioned for the registration of national economic agents (Article 13 of the Law on Foreign Investment). In certain cases foreign investors may be required to obtain special permission from the State Environmental Protection Agency and the Medical and Epidemiological agency, in order to verify the safety of the applied technology and the planned production facilities. Note: There are additional requirements for certain types of businesses such as banking, insurance and joint stock companies set out in the respective Laws on Financial Institutions, the Law on Insurance, and the Law on Joint Stock Companies. Registration of banks with foreign investments, their branches and representatives are approved by the National Bank of Moldova. End Note.

Registration follows the same bureaucratic procedures as with domestic companies. Bureaucratic procedures are not always transparent and red tape often makes processing unnecessarily long.

## 9. Efficient Capital Markets and Portfolio Investment

Laws, Presidential decrees, Governmental decisions, Securities Commission regulations, National Bank regulations, and Stock Exchange regulations all control developing capital markets and portfolio investment in Moldova. Existing policies facilitate the free flow of resources to Moldova.

According to the Law on Foreign Investment (Art. 3), an investment can be made in the form of:

- hard currency or a foreign currency recognized by Moldovan banks;
- production equipment, fixed capital, raw materials; and
- property (including intellectual property) and non-property rights.

Credit is allocated on market terms. The State regulates credit policy via: credit from the National Bank, auctioned through commercial banks; compulsory reserves; credits secured through collateral; open market operations; and T-bill auctions on the primary market. Foreign investors are able to get credit on the local market. The private sector has access to a variety of existing credit instruments.

Moldovan legal, regulatory, and accounting systems are in a process of transition to a market system; however, they are not yet transparent and entirely consistent with international norms. The accounting and financial sectors in Moldova have adopted international accounting standards.

The local regulatory system on portfolio investments includes the Law on Investment Funds, the Law on Joint Stock Companies, the Law on Circulation of Securities and on Stock Exchanges, and other regulations. There is a central depository charged with managing the securities market.

The Moldovan banking system is sound with 20 commercial banks in Moldova. The total assets of Moldova's three largest commercial banks are:

Agroindbank -- MDL 1,087.227 million (USD 84 million);

Victoriabank -- MDL 628.689 million (USD 49 million);

Banca Sociala -- MDL 525.044 million (USD 41 million).

There are "cross-shareholding" and "stable shareholders" unofficial agreements used mostly by investment funds to restrict other companies' participation, not specifically against foreign investment.

Measures to prevent hostile takeovers are typically designed to protect against all potential takeovers, not primarily foreign takeovers.

There are no laws or regulations authorizing private firms to adopt articles of incorporation or association, which limit or prohibit foreign investment.

There are no private sector or government efforts to restrict foreign participation in industry standards-setting consortia or organizations. However, private enterprises' individual internal regulations may include such restrictions.

#### 10. Political Violence

There have been no incidents over the past few years involving politically motivated damage to projects or installations in Moldova. Such civil disturbances are unlikely in the near future.

Slavic separatists primarily control the Transnistrian region of Moldova along the Ukrainian border. The separatists have demanded "statehood" and reorganization of Moldova as a confederation of two equal states. The Transnistrians are slowly negotiating with the Government of Moldova to normalize relations. The Organization for Security and Cooperation in Europe (OSCE), Russia, and Ukraine act as mediators in these negotiations. Although there was a brief armed conflict in 1992, the cease-fire of July 1992 has generally been observed. There are still international peacekeepers in Transnistria. Local authorities in Transnistria maintain a separate monetary unit, the Transnistrian ruble (current market exchange rate is about 5.8 - 5.9 rubles per one USD), and a separate customs system. Economic conditions in Transnistria are significantly worse than in the rest of Moldova. Despite the political separation, some economic cooperation takes place, e.g. in the supply of electricity to Chisinau from a power plant in Transnistria (through Union Fenosa).

#### 11. Corruption

Moldova has adopted laws, regulations and penalties against corruption. The laws are not effectively enforced and corruption exists at an advanced level.

The Moldovan parliament adopted a law on combating corruption and protectionism in 1996. The Moldovan Government also established a Department to Combat Organized Crime and Corruption in 1996, which is now subordinated to the Ministry of Internal Affairs. In 1999, the Moldovan Government worked out a state program for combating criminality, corruption and protectionism for 1999 – 2002. Through a presidential Decree in February, 2001, a new working group was created to create a draft law on modifying and perfecting legislation on combating corruption and protectionism. The working group has developed a draft law to modify the laws on corruption to be submitted to the Parliament for adoption. Among the proposals in the draft law are: a reduction of the types of activities requiring licenses, new articles in the Criminal code on corruption among officials, a term of 15 days for examining corruption cases, a new article in the Customs Code on transparency of the activities in the Customs department.

According to information provided by the Ministry of Internal Affairs, cases of corruption are increasing, especially bribery cases. Some 118 cases of bribery were registered in 2000. Out of crimes with economic elements (1028 cases), 303 cases included elements of corruption and protectionism. Of these, 240 were discovered by law

enforcement. Corruption is usually registered among police, prosecutors, doctors, professors, customs and tax officers and other groups.

A May, 2001 decree, by newly elected President Voronin, created the Coordinating Council on issues for combating corruption. The government will present information necessary to combat corruption to the Council.

Moldova is not a signatory of the OECD Convention on Combating Bribery. In 1997, Moldova signed the European Convention on Money Laundering, Prosecution, Confiscation and Seizure of Goods accumulated through Crime (November 8, 1990, Strasbourg). To date, the Parliament has not ratified this convention. Moldova became a member of the Stability Pact for Southeastern Europe in June 2001. Moldova has signed several CIS conventions including, the Convention on Mutual Assistance on Criminal, Civil, and Family Issues (Minsk 1993), and the Convention on Cooperation in Combating Crimes related to intellectual property (Moscow 1988).

The embassy has no reports from U.S. firms that corruption is a significant obstacle to foreign direct investment in Moldova. Nevertheless, the embassy receives reports from time to time that corruption and bribery is a real problem with which foreign citizens and investors must deal with.

Corruption is most pervasive in government procurement, taxation, customs, education and health.

Both giving and accepting a bribe is a criminal act in Moldova. Penalties for accepting or taking bribes vary from three to twenty-five years of imprisonment with property confiscation and deprivation of the right to retain any position or perform any activity in public service for up to five years. Giving bribes is punishable by three to twenty-years in prison with confiscation of property.

A bribe to a foreign official is also a criminal act under the general clauses on bribery. There is no direct clause on bribing foreign officials in Moldova. A bribe to a foreign official cannot be deducted from taxes.

The Department to Combat Organized Crime and Corruption, in the Moldovan Ministry of Internal Affairs, is responsible for combating corruption. There is also a special section for combating organized crime and corruption in the Information and Security Service (Former National Security Ministry). The General Prosecutor's Office has a specialized anti-corruption, anti-protectionism and organized crime section.

Senior officials (from the parliament and government) are often accused of corruption in the local press. Corruption and steps to stamp it out are frequent political topics. While political rivals exchange accusations of corruption, prosecutions have not occurred.

A local Transparency International NGO was created and registered in July 2000.

On a scale from 1 (least corrupt) to 91 (most corrupt), Transparency International has ranked Moldova number 64, along with Thailand, Dominican Republic, Guatemala, and Philippines, according to its 2001 corruption perception rankings. Moldova is ranked much lower than other countries from the NIS, including Russia, Ukraine, Uzbekistan and Kazakhstan, and it is lower than Romania.



## Bilateral Investment Agreements

Moldova has signed bilateral investment protection agreements with 28 countries, including: the United States, Turkey, Poland, Germany, Romania, China, Switzerland, Ukraine, Uzbekistan, the Netherlands, Belgium and Luxembourg Union, Finland, Kuwait, Iran, Hungary, Bulgaria, Great Britain, Israel, France, Italy, Georgia, Azerbaijan, Russia, Greece, Belarusi, Latvia, Lithuania, and Czech.

Moldova has a bilateral treaty with the United States on the Encouragement and Reciprocal Protection of Investment, but does not have a bilateral taxation treaty with the United States.

## OPIC and Other Investment Insurance Programs

OPIC became active in Moldova in September 1997, providing political risk insurance to an American company investing in an agribusiness. In October 1998, OPIC approved a loan for an American company involved in oil and gas exploration and extraction in Moldova, although to date the company has not borrowed the money. The Embassy cooperates with OPIC, and on a regular basis provides the corporation with updated information on the economic and commercial situation in Moldova. The potential for increased future OPIC operation is high. With growing interest in Moldova by private U.S. businesses, there should be an increasing demand for loan guarantees or direct loans by OPIC or other sources of capital. Funding feasibility studies in the sectors undergoing a restructuring process is also an opportunity for OPIC.

The U.S. EXIM bank is open in Moldova for short, medium, and long-term financing in the public sector and short and medium-term financing in the private sector under its insurance, loan and guarantee programs. In May 2000, the EXIM bank of the United States and the Republic of Moldova signed a Framework Guarantee Agreement setting the terms for the Government of Moldova to issue sovereign guarantees to facilitate EXIM bank financing of U.S. exports to Moldova. EXIM bank will continue to work with the government of Moldova toward a project incentive agreement that would enable EXIM bank to consider financing of U.S. exports for credit-worthy private sector projects in Moldova on a non-sovereign risk basis.

Moldova is eligible for U.S. Trade and Development Agency (TDA) assistance. Funding feasibility studies and orientation visits for local officials from the sectors with forthcoming international tenders are possible TDA considerations. The most recent such visit was by a Moldtelecom executive to the IT/Telecom conference in Brussels to make a presentation on the privatization of Moldova's telephone monopoly. Institutions such as the Multilateral Development Bank, the European Bank for Reconstruction and Development (EBRD) and the World Bank, are very active in Moldova in both the private and public sectors, offering various financial tools for both insurance and credit. Moldova is a member of the Multilateral Investment Guarantee Agency (MIGA).

The estimated annual U.S. dollar value of local currency used in Embassy Chisinau for FY 2001 is about USD 1,450,000. In early FY 2001, the embassy purchased local currency at the exchange rate of MDL 12.2-12.3 per USD and at MDL 12.8 - 12.9 per USD in July 2001. The embassy purchases local currency at the prevailing market-based exchange rate on the day of the transaction. The currency has appreciated

slightly over the last several months, and stabilized in May - June period. Despite the fact that the National Bank's foreign exchange reserves are at a comfortable USD 222.7 million (April 2001), risk for further Leu depreciation remains high if the IMF does not resume financial support to Moldova.

#### D. Labor

Skilled labor is readily available in Moldova, which has a ninety-percent literacy rate. The labor force includes numerous workers with specialized and technical skills. The Moldovan Constitution guarantees all employees, except governmental employees, the right to found or join a trade union. Moldova is a signatory to numerous conventions for the protection of workers' rights.

The General Federation of Trade Unions was the only successor to the Soviet trade union system in Moldova since Moldova declared its independence. In late 2000, the union broke into two separate unions -- the Trade Union Confederation of Moldova (TUCM), successor to the previous federation, and "Solidaritate" (solidarity), a new organization. The TUCM kept about 80 percent of all union members in Moldova, with the rest going to "Solidaritate." TUCM members are from the agriculture and agricultural processing sector, public services, radio electronics, medicine, education, and culture. "Solidaritate" members are from industry, transport, telecommunication, construction, and social protection. The TUCM is member of the ILO since 1992 (as a successor to the General Federation of Trade Unions), it is also affiliated with the International Confederation of Free Unions in Brussels since December 1997.

Beginning in April 2001, the Government of Moldova raised minimum monthly wages for budget financed employees to MDL 100 (about USD 8). Higher labor skill categories receive greater monthly wages depending on their skill category (up to MDL 648, or about USD 50). Minimum monthly wages for private sector employees were also increased. The minimum wage paid to unskilled labor is MDL 150 (about USD 11.6) a month. This basic wage is multiplied by coefficients for different production sectors and for seven higher skill labor categories.

#### E. Foreign Trade Zones/Free Ports

Moldova's first Free Enterprise Zone (FEZ), "Expo-Business-Chisinau," was established in Chisinau in 1996, with a 30-year charter. The law on FEZ "Expo-Business-Chisinau" was adopted in late 1995. FEZ was designed to attract foreign investment and technology. This legislation provided many incentives, guarantees, and privileges for both foreign and local businesses in the fez. FEZ resident-producers were also exempted from customs duties and the twenty-percent value-added tax. Producers paid reduced income tax. FEZ enterprises that invested USD 250,000 or more in the zone were exempted from paying the profit tax for a period of five years. According to the law on the FEZ "Expo-Business-Chisinau" (Art. 7), if a new law were passed which changed FEZ enterprises' customs or tax privileges, the enterprises were granted "grandfathering" to the old legislation for a 10 year period from the moment of enactment of the new law. However, in 1998 due to political pressure, many of the initial incentives were withdrawn and many businesses (mostly wholesale-trade and retail) were closed. One of the FEZ' resident, Moldovan-American companies Link-Trading, accused Moldova's Customs Control Department of unduly forcing the company to pay customs duties and VAT on commodities it had imported and sold in Moldova. Link-Trading

brought the case to the arbitration court operated by the Stockholm Chamber of Trade. If the company wins the case, many similar suits will follow.

Four more free enterprise zones are under development in Moldova: "Tvardita" (central part of Moldova - Tighina), "Taraclia" (South), "Valcanes" (South - on the border with Ukraine), and "Otaci-Business" (North - on the border with Ukraine). The law on FEZ "Tvardita" was adopted in 1995 but was changed in 1998. Laws on the other three FEZ' were adopted later, in 1998, and have not changed. FEZ resident-producers are exempted from customs duties and the twenty-percent value-added tax. Producers from "Taraclia", "Valcanes", and "Otaci-Business" FEZ pay reduced income tax depending on a portion of their export sales. Residents of these FEZ' which invested USD 250,000 or more in their production facilities or in the zone are exempted from paying income tax for a period of three years; with investments of USD 500,000 or more and over USD 1 million are exempt from income tax for a period of 5 years and 10 years respectively.

#### F. Foreign Direct Investment Statistics

Until 1998, foreign investment in Moldova indicated a steadily increasing trend. It slowed in late 1998-1999 due to the severe impact in Moldova of the Russian economic crisis. Foreign investment recovered near the end of 2000. According to National Bank of Moldova (NBM) data, 2000 foreign direct investment (FDI) inflows to Moldova amounted to USD 127.53 million. Note: All data on FDI excludes Transnistria. End note.

According to the NBM data, annual FDI inflows to Moldova for indicated years were (in million USD):

|     | 1996  | 1997  | 1998  | 1999  | 2000   |
|-----|-------|-------|-------|-------|--------|
| FDI | 23.67 | 78.29 | 74.43 | 38.83 | 127.53 |

By the end of 2000, the total FDI stock in Moldova amounted to some USD 444 million, including foreign investment companies charter capital of some USD 355 million.

According to the Department of Statistics, the breakdown of USD 355 million (FDI - companies charter capital) by sectors was: electricity, gas and water supply - 50.9 percent of total investment, food processing - 17.3 percent, wholesale and retail trade - 10 percent, transport and communication - 7 percent, finance - 4 percent, hotels and restaurants - 2.3 percent, construction - 2.2 percent, agriculture - 1.6 percent, real estate transactions - 1.6 percent, exploitation of quarries - 0.9 percent, and other activities - 2.2 percent.

According to the Department of Statistics, FDI stocks by country of origin for the ten largest investing countries were (as of January 2001):

| Country   | million USD |
|-----------|-------------|
| 1. Russia | 149.532     |
| 2. Spain  | 40.690      |

|                  |        |
|------------------|--------|
| 3. U.S.A.        | 38.471 |
| 4. France        | 15.266 |
| 5. Germany       | 13.019 |
| 6. Great Britain | 11.273 |
| 7. Liechtenstein | 10.742 |
| 8. Ireland       | 10.252 |
| 9. Greece        | 9.149  |
| 10. Canada       | 6.610  |

According to NBM data, by the end of 2000, Moldova's direct investment abroad amounted to USD 18.72 million.

As a percentage of GDP, the current FDI stock of USD 444 million was equal to 34.6 percent of the 2000 GDP figure (USD 1.285 billion), and 2000 FDI inflows were about 10 percent of annual GDP.

The following is a brief description of some major U.S. investments in Moldova:

-- In July 1995, the Moldovan Government granted an exclusive oil and gas development concession to Redeco, a U.S. company active in oil and natural gas exploration, gasification and power generation. In early 1996, the company registered its Moldovan subsidiary, Redeco Moldova. By June 1999, Redeco completed the first phase of its activities under the concession envisioning shallow exploration, drilling on the Valeni and the Victorovca gas fields, discovered by Soviet geologists in the 1960s. The second phase of the concession calls for a large-scale seismic project followed by deep test drilling (to a depth of 2,500-3,500 meters). The estimated cost of these projects is USD 10 million. To date, Redeco has spent about USD 10.9 million on its Moldovan projects.

-- McDonald's is one of the newest U.S. firms in Moldova. It opened an office in Chisinau in the summer of 1997, and opened its first two restaurants in Chisinau in 1998 and 1999. Its third restaurant, a drive-thru establishment, opened in Chisinau in May 2000. McDonald's has invested over USD 5 million and intends to increase its investment within the next several years.

-- Foodpro International, Inc., a San Jose, California-based U.S. consulting and engineering company with consulting engagements in the NIS and Eastern Europe, is involved in a fruit and nut project in northern Moldova. At present, its Moldova operations largely consist of the growing, processing, and export of walnuts. To date, the company has invested about USD 1.3 million in its walnut processing plant and walnut orchard, creating a vertically integrated business. The company wants to expand its production activity in Moldova and initiate another project, which will increase its direct investment by several million dollars.

-- Food Master International (FMI) has invested over USD 1 million in a dairy in Hincesti, a town on the outskirts of Chisinau. The FMI-Hincesti dairy joint venture began operations in 1997. In addition to its initial investment, FMI provided new packaging equipment and technical assistance. Hincesti dairy is currently producing milk, buttermilk, sour cream, liquid and regular yogurt, reajenka (liquid sour cream) and butter. In October 1998, the company bought 60 percent of outstanding shares of the Soroca Cheese Factory, located in the north of the country. Currently, the Soroca Cheese Factory produces hard cheeses, smoked processed cheese, and consumer size packaged butter. To date, FMI has invested USD 700,000 in the factory and plans to invest a total of USD 1.5 million. To maintain the current production volume and projected increases, FMI started milk collection and established 30 milk collection and cooling stations throughout Moldova. The American company also launched intensive training programs in milk collection, marketing, and accounting for the two factories' personnel. In 1998, the two factories started to export their products to Romania. In May 2000, FMI purchased a 50 percent share of the Cimislia Dairy. At present, FMI has invested over USD 2 million in its Moldovan projects.

-- Although technically an Irish franchise, the Coca-Cola Company first came to Moldova in 1994, importing its products from its Romanian facilities. Since then, the local market has changed considerably, with a constant increase in present or potential customers of Coca-Cola. Because of the changing market, the company constructed its first Moldovan bottling facility, in Chisinau in 1997, and is continuing to increase its production. Coca-Cola has invested over USD 13 million in Moldova. Coca-Cola Bottling in Chisinau is also the official distributor of Tuborg beer in Moldova since 1999. The company is expanding and in 2001 became the official distributor of Carlsberg beer.

-- The Indiana-based Trans Oil Invest, the majority owner of the Moldovan oil products distributor Agro-Petrol, invested USD 3 million in the Moldovan economy. In June 2000 Agro-Petrol started the production of industrial lubricants in Singerei. Agro-Petrol is also finalizing plans for the production of sweet carbonated drinks in Chisinau and is already bottling medicinal spring water in Cahul.

## Chapter VIII: Trade and Project Financing

### A. Description of The Banking System

#### 1. Banks

The domestic banking system was created in the early 1990s as a two-level system: the National Bank of Moldova (NBM) and the commercial banks. The NBM supervises the commercial banks and acts independently of the Government. Moldova's banking system is governed by the 1995 laws "on the NBM" and "on financial institutions". The laws, prepared with IMF assistance, correspond to international standards.

There are no restrictions regarding the foundation of foreign banks or their branches in Moldova. Twenty commercial banks have an NBM license that allows them to perform international operations.

In line with IMF and World Bank recommendations, the Moldovan banking system adopted international accounting standards on January 1, 1998. The National Bank of Moldova introduced a requirement for doubling a bank's statutory capital requirements

by the end of 2000 as follows: a minimum services bank, or "license A" bank, must have at least ML 32 million (USD 2.5 million) in statutory capital; banks with some additional services must have either at least ML 64 million (USD 5 million), for "license B" banks, or 96 million lei (USD 7.5 million), for "license C" banks, depending on the amount of services.

There are currently 20 commercial banks in Moldova, of which the largest banks are Agroindbank, Petrol Bank, Banca de Economii, Moldindconbank, Banca Sociala, and Victoriabank. Victoriabank is the only Moldovan bank with full membership in VISA and EUROPAY. As a private commercial bank, Victoriabank appears to have been the most proactive in supporting the small industry, retail, and food industry of Moldova. Banca de Economii (Savings Bank) operates the EUROPAY/MASTERCARD payment system and is the second Moldovan bank issuing credit cards. The bank boasts to have the largest network of branches in Moldova.

There is only one bank in which the Government holds a controlling stake; it is Banca de Economii a Moldovei. There are several banks in which controlling stakes are owned by foreigners. These banks are: Eximbank, Businessbank; International Commercial Bank Of Greece-Moldova, Banca Comerciala Romana (BCR), and Banca Turco-Romana (BTR)-Moldova which opened its offices in Chisinau in May 2000.

## 2. Other Financial Institutions

Additionally, a micro enterprise credit corporation was set up to issue small loans to microenterprises and small businesses.

Other elements of Moldova's financial sector are less developed, but include the National Commodity Exchange, established in 1991; the Moldova Interbank Currency Exchange; the Moldovan Stock Exchange, established in 1995; 15 investment funds; and eight trust companies. In addition, a state commission on securities markets has been created to supervise the activity of securities market participants. In 1998, the state commission was renamed the National Commission on the Securities Market.

The first auction of 91-day treasury bills was held in 1995, while 730-day treasury bills were introduced in December 1997. In 1998, the Government tightened regulations concerning investment funds, limiting the holding of a fund in a firm to 25 percent.

## B. Sources of Project Financing

### 1. The World Bank

Since Moldova joined the World Bank in August 1992, its lending has provided consistent support for Moldova's economic reforms. The bank's assistance strategy for Moldova is in line with the Moldovan Government's program and has three pillars: macroeconomic sustainability, private sector development, and public sector reform.

In February 1996, the bank approved USD 35 million for the first private sector development project to support enterprises restructuring and financial sector reforms. In May 1996, two more loans were approved: USD 10 million for a project to help improve agricultural research programs; and a USD 10 million loan for an energy project to

promote better economic and financial management. In April 1997, the bank approved a USD 16.8 million loan for the general education project. In September 1997, two additional projects were approved: a USD 9 million credit for a private sector development project to strengthen the competitiveness of private enterprises, and a USD 100 million structural adjustment loan and credit (SAL-II) to support growth and macroeconomic stabilization. In January 1998, a USD 5 million credit was approved for the Rural Finance Project, to assist in developing credit mechanisms for private farmers. This was followed in April 1998 by a USD 15.9 million credit for the cadastre project, to support the institutional framework for a land market. A Structural Adjustment Credit (SAC) of USD 40 million was approved in August 1999 for macroeconomic stabilization, with a special focus on agriculture and energy. The most recently approved credit of USD 10 million is for the Health Investment Fund Project aiming at improving the quality of public health services. To date, World Bank commitments to Moldova total approximately USD 459 million for 14 projects.

## 2. European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) has already committed 154.7 million euros in support of the private banking sector, infrastructure projects, agribusiness, light industry and energy. Of the 20 investment projects with EBRD participation, reconstruction of the Chisinau International Airport is considered so far to be EBRD's most successful project in Moldova. Completed in little over one year, the new airport facilities, which opened to visitors in June 2000, attracted USD 9 million of EBRD loans for a term of 12 years under 7 percent per annum. EBRD's budget for Moldova in the calendar 2001 amounts to Euro 445.2 million.

The EBRD's strategy is to further promote the transition process in Moldova by focusing on the following objectives: promoting private sector investment, with a particular emphasis on the agro-processing sector; supporting the strengthening of the local financial sector; financing critical infrastructure investment; and pursuing an active implementation of the existing portfolio. The level of technical cooperation has increased, reaching Ecu 7.1 million for 26 projects by the end of 1998. This is mainly related to project preparation or implementation.

EBRD activity in Moldova's financial sector: In the financial sector, the EBRD has focused on the establishment of effective financial inter-mediation mechanisms to reach small and medium-sized enterprises (SME) and to respond to current investment requirements. SME credit lines for five Moldovan banks are fully operational and have significantly improved the bank's ability to support the growth of the private sector.

Micro-enterprise loans: In September 1996, the EBRD, in cooperation with the Swiss and American Governments, established the Swiss-American micro-enterprise program to give Moldovan start-up enterprises easier access to bank finance, especially for very small loans. The program's objective is to extend USD 5 million to a number of Moldovan banks, which in turn will provide credits of up to USD 20 thousand in foreign and local currency to small Moldovan businesses, generally defined as those employing 20 people or less. Initially, micro-enterprise funds were made available to Victoriabank, Mobias Bank, Agroindbank, and Universalbank commercial banks of Moldova.

Infrastructure projects: In 1996, EBRD signed a USD 19 million financing package for Terminal S.A., a Moldovan joint venture between Tirez-Petrol and a Greek joint-venture

company Technovax SA, for construction of an oil terminal on the Danube river in southern Moldova. The road upgrading project, signed in 1995, contributed to strengthening of the road sector financing. The EBRD also assisted the Moldovan Government in the privatization and modernization of the state- owned telecommunications company Moldtelecom through the provision of advisory services.

Two major projects in the public sector and infrastructure are part of the EBRD pipeline for Moldova. They include an energy project to improve the Chisinau city's heating system, and a water and waste water rehabilitation program. In 2001, EBRD became a shareholder of the Glass Container Company, Moldova-Agroindbank commercial bank and Union Fenosa-Moldova, owner of three out five electricity distribution companies. .

### 3. Western NIS Enterprise Fund

The Western NIS Enterprise Fund (WESTNIS), capitalized with USD 150 million by the U.S. Government, invests in private companies in the NIS region. The fund has been fully operational in Moldova since June 1995. The fund generally provides equity capital and loans in amounts between USD 750 thousand and USD 7.5 million to small and medium-sized private enterprises. The small business loan fund, a separate fund managed by WESTNIS, makes commercial loans under USD 100 thousand to small businesses and entrepreneurs.

In early 1997, WESTNIS funded Roua Univers, a Moldovan company which started providing custom farm services to agricultural businesses, primarily in the central and southern part of Moldova. WESTNIS has 50 percent of the company's equity and purchased Massey Ferguson combines for harvesting peas, barley, wheat, soy, beans, sunflower, and corn, as well as bailer for straw. The company became an exclusive distributor of Massey Ferguson and a dealership and service center of Massey Ferguson equipment in Moldova. Total company capitalization is USD 2.8 million.

In 1998, WESTNIS purchased 25 percent of equity worth USD 4.8 million in the Glass Container Company (GCC), a Moldovan manufacturer of green glass packaging serving the wine and champagne industries of Moldova and neighboring countries. The fund also owns 85.59 percent of stock worth in Vitanta, a dominant producer of Moldovan beer, flavored alcoholic beverages, and soft drinks. In early 2001, WESTNIS bought 9.9 percent in Moldova's leading commercial bank Moldova-Agroindbank.

Along with equity financing, WESTNIS also provides technical assistance for its credits beneficiaries. Its funds provide computer equipment, software, and its consultants to assist recipients in finance and business management, marketing, and project implementation.

WESTNIS is currently considering investments in two other Moldovan companies.

### 4. Other Sources of Financing

-- OPIC, TDA, EXIM and other agencies are described in the investment climate statement submitted by post (see Chapter VII).

-- A potential source of financing is the Black Sea Trade and Development Bank, of which Moldova is a founding member. Established in 1998, the Bank is capitalized at



approximately USD 1.35 billion. The bank provides funds for projects and trade financing. Also, it accepts proposals from public, private and non-profit sector entities, including companies, financial institutions, Government and non-Government agencies.

-- The Turkish Export-Import Bank became active in Moldova in 1998, when it approved a USD 15 million loan for the water supply project in the southern districts of Moldova. The credit was granted for 7 years with a three-year grace period.

-- Since becoming independent, Moldova has received a total of Euro 90 million under a technical assistance program called TACIS, funded by the European Union. The latest TACIS programs focus on agriculture and food distribution, private sector development, human resource development (including the social sector), and privatization assistance. In addition, small projects will continue to provide assistance in areas such as policy advice, management training, customs and statistics.

-- Since its independence, Moldova has signed a bilateral agreement for financial assistance with the following countries: Canada, Denmark, Germany, Italy, Japan, Kuwait, Norway, Sweden, China, Turkey, United Kingdom, and the United States.

## Chapter IX: Business Travel

### A. Business Customs

Moldovans are famous for their hospitality and usually offer food and beverages at business meetings. It is considered an offense if a guest refuses food or beverage the first time it is offered.

### B. Travel Advisory and Visas

Moldova's capital, Chisinau, offers adequate hotels and restaurants, but tourist and business facilities in other parts of the country are not highly developed, and many of the goods and services taken for granted in other countries are not yet available.

Visas are required of American citizens traveling to (or transiting) Moldova. All visas must be obtained in advance of arrival from a Moldovan embassy or consulate. Only those U.S. citizens who can provide evidence that they reside in a country in which Moldova has no embassy or consulate are permitted to obtain a tourist/business visa at the Chisinau Airport. No invitation is necessary. Any person applying for a visa for a stay of more than three months must present a certificate showing that the individual is HIV negative. Only tests performed at designated clinics in Moldova are accepted. A one-entry visa, valid for a one-month stay, costs USD 45. Travelers on official passports can obtain a visa free of charge for more information on entry requirements, please contact the Moldovan Embassy, 2101 S Street N.W., Washington, D.C. 20008, telephone: (202) 667-1131, fax: (202) 667-1204.

Travelers entering the Transnistria region of Moldova should be prepared for frequent checkpoints. Regular consulate protective services are very difficult to provide in this region in the case of arrests or imprisonment of Americans.

Flying to Moldova from the United States is easy via Amsterdam (Holland), Frankfurt (Germany), Budapest (Hungary), and Vienna (Austria). These cities have direct flights to Chisinau, Moldova.

Additional information on travel to Moldova and the rest of the NIS is available on the State Department's web page at <http://www.travel.state.gov>.

#### C. Holidays

There are 9 national holidays in Moldova. New Year's day (January 1), Christmas (January 7 and 8), International Women's Day (March 8), two days of Easter determined by the Orthodox Church's calendar, Memorial Day (the first Monday a week after Easter), Victory Day (May 9), National Day (August 27) and Our Language Day (August 31) are celebrated in Moldova. Most businesses and all state institutions are closed on these days. The basic infrastructure institutions like airports and markets usually stay open.

#### D. Temporary Entry of Goods

There are few restrictions on bringing computer equipment, exhibit materials, or goods for personal use while traveling to Moldova. The quantity of goods should not exceed the number stipulated in the 2001 Budget Law, which is usually no more than several pieces of each product. If the number of goods does exceed the limit and there is no document confirming the marketing purpose of the goods, then a customs tariff and a customs tax will be applied.

#### E. U.S. Embassy Contact Information

U.S. Embassy, Chisinau  
Ambassador: Mr. Rudolf Perina  
Consular/Commercial Officer: Mr. Michael Sears  
BISNIS Representative: Mr. Iulian Bogasieru ([iulian\\_bogasieru@hotmail.com](mailto:iulian_bogasieru@hotmail.com))

U.S. Mailing address:  
Department of State  
7080 Chisinau Place  
Washington, DC 20521-7080

Local address:  
U.S. Embassy  
Strada Alexe Mateevici 103  
Chisinau, MD-2009, Moldova  
Tel: +373-(2)-40-89-82/ 40-89-55 / 40-84-45 (after hours)  
Fax: +373-(2)-23-30-44

#### Chapter X Economic and Trade Statistics

##### Domestic Economy

1999

2000

2001 (forecast)

|   |        |       |       |
|---|--------|-------|-------|
| - GDP, million USD                                    | 1,162  | 1.286 | 1.379 |
| - Real GDP growth, percent                            | (4.4 ) | 1.9   | 5     |
| - GDP per capita, USD                                 | 321.6  | 353.6 | n/a   |
| Government Spending,<br>As a percent of GDP           | 28.2   | 26.26 | 23    |
| - Inflation, percent                                  | 43.8   | 18.5  | 15    |
| - Foreign Exchange Reserves,<br>USD million, year-end | 180.5  | 222.5 | n/a   |
| - Average Exchange Rate,<br>ML per 1.00 USD           | 10.51  | 12.43 | 14.00 |
| - Debt Service Ratio                                  | n/a    | 19.1  | 36.28 |
| As a percent of Budget Revenues                       |        |       |       |
| - U.S. Economic Assistance,<br>Million USD            | 33.4   | n/a   | n/a   |

Sources: Moldovan Department of Statistics; IMF; Ministry of Economy; TACIS Economic Trends; USAID-Moldova; Budget Law 2001.

#### Trade statistics

|                       | 1999  | 2000  | 2001(estimate) |
|-----------------------|-------|-------|----------------|
| Total Country Exports | 471.4 | 475.0 | n/a            |
| Total Country Imports | 567.9 | 773.0 | n/a            |
| U.S. Exports          | 10.6  | 48.6  | n/a            |
| U.S. Imports          | 88.9  | 15.9  | n/a            |

Sources: TACIS Economic Trends; U.S. Census Bureau; Moldovan Department of Statistics

## Chapter XI U.S. and Country Contacts

### U.S. Contacts

#### Moldovan Embassy in Washington

2101 S. Street, N.W.

Washington, D.C. 20008 USA

Tel.: (202) 667 1130/31/37

Fax: (202) 667 1204

Email: Moldova@dgs.dgsys.com

Contact: H.E. Ceslav Ciobanu, Ambassador

#### Business Information Service for the New Independent States, Washington headquarters

USA Trade Center

Suite 800-Mezzanine Level

1300 Pennsylvania Avenue, NW

Washington, DC 20004

Contact: Ms. Melissa Walters, International Trade Specialist covering Moldova

Email: Melissa\_Walters @ita.doc.gov

Tel.: (202) 482-2047

Fax: (202) 482-2293

#### Moldovan Government Ministries and Agencies

##### Department of Privatization and State Property Administration

Address: str. Pushkin 26, MD-2012 Chisinau, Moldova

Tel.: +3732/ 234350

Fax: +3732/ 234336

Email: [privatization@mop.mldnet.com](mailto:privatization@mop.mldnet.com)

Website: [www.privatization.md](http://www.privatization.md)

Contact: Mr. Nicolae Gumenai, General Director

##### Ministry of Economy

Address: Piata Marii Adunari Nationale 1, bir. 245

Tel.: +3732/ 237448, 237743

Fax: +3732/ 234064

Contact: Mr. Andrei Cucu, Minister and Vice Prime Minister

##### Ministry of Industry

Address: bd. Stefan cel Mare 69, MD-2001 Chisinau, Moldova

Tel: +3732/ 278059

Fax: +3732/ 278000

Contact: Mr. Mihail Garstea, Minister

##### Ministry of Energy

Address: str. Vasile Alecsandri 78, MD-2012 Chisinau, Moldova

Tel: +373 25 34 59

Fax: +373 25 33 42

Contact: Mr. Ion Lesanu, Minister

##### Ministry of Transportation and Communications

Address: bd. Stefan cel Mare 134, Chisinau

Tel.: +3732/ 221001

Fax: +3732/ 241553

Contact: Mr. Victor Topa, Minister

##### Ministry of Agriculture and Food Processing

Address: bd. Stefan cel Mare 162, MD-2004 Chisinau, Moldova,

Tel.: +3732/ 233427, 248150

Fax: +3732/ 237731

Contact: Mr. Dmitri Todoroglo, Minister

##### National Energy Regulatory Agency

Address: str. Columna 101, MD-2012, Chisinau, Moldova

Tel: +3732/ 212385, 541384

Fax: +3732/ 540534

Contact person: Mr. Nicolae Triboi, General Director; Mr. Marin Profir, Deputy Director

##### Moldovan State Registration Chamber (for business registration)

Address: bd. Stefan cel Mare 73, room 184, Chisinau, Moldova,

Tel.: +3732/ 277497,

Contact: Mr. Arcadie Cojocaru, Chief Of Unit For Registration Of Companies With Foreign Capital

Moldovastandard (product certification and standards authority)

Address: str. E. Coca nr. 28, Md-2064, Chisinau, Moldova

Tel.: +3732/ 748588

Fax: +3732/ 750581

Department of Customs Control

Address: str. Columna 65, Chisinau, Moldova

Tel.: +3732/ 549460

Fax: +3732/ 263061

National Public Procurement Agency

Str. Piata Marii Adunari Nationale, 1, office 373

Chisinau, Moldova

Tel.: +3732/ 234135, 234280

Fax: +3732/ 234055

Email: anap@Moldova.md

National Investment Promotion Agency

Address: Piata Marii Adunari Nationale 1, Chisinau, Moldova

Tel.: +3732/ 232467

Fax: +3732/ 233197

Email: investag@Moldova.md

Department of Statistics

Address: bd. Stefan cel Mare, 124, Chisinau, Moldova

Tel.: +3732/ 542114, 542115, 233772

Fax: +3732/ 233044

#### International Financing Organizations

Black Sea Trade and Development Bank

Address: 1, Komnion str., 54624, Thessaloniki, Greece.

Tel. No: (30 31) 290-400

Fax no: (30 31) 221-796 or 286-590

Email: info@bstdb.gr

Website: www.bstdb.gr

International Monetary Fund -- resident mission

Address: Chisinau, Md-2033, Piata Marii Adunari Nationale, 1, room 105

Tel +3732/ 23-32-32

World Bank -- resident mission

Address: Chisinau, MD-2012, str. Sciusev 76/6

Tel.: +3732/ 23-27-37, 23-70-65

Fax: +3732/ 23-70-53

European Bank For Reconstruction and Development – resident office

Address: room 309, 98, str. 31 August 1989, Chisinau MD-2012, Moldova  
Tel.: +3732/ 248414, 249810  
Fax: +3732/ 249363

#### Trade Show Organizers

Poliproject Exhibitions Ltd.  
Tel. +3732/ 243118, 222070  
Fax + 3732/ 243118, 222070  
Email: info@poliproject.md  
Website: www.poliproject.md  
Contact: Mr. Arcadie Andronic, Director General

Moldexpo S.A.  
Address: str. Ghiocelilor 1, MD-2008 Chisinau, Republic of Moldova  
Tel +3732/ 74 74 19  
Fax +3732/ 74 74 20  
Email: moldexpo@ch.moldpac.md  
Contact person: Ms. Natalia Ciocan, Director

#### Moldovan Business Multipliers

Chamber of Commerce and Industry of the Republic of Moldova  
Address: Chisinau, str. Mihai Eminescu 28  
Tel. (3732) 22 15 52 (multilingual support)  
Fax (3732) 24 14 53  
Email: president@chamber.md  
President: Mr. Cucu Gheorghe  
Vice-presidents: Mr. Coica Anatol

The Professional Accountants' And Auditors' Association Of Moldova  
Address: Chisinau, bd. Stefan cel Mare 67  
Tel: (3732) 271713,  
Fax: (3732) 272602  
Email: acap@moldnet.md  
Website: http:\\ www.acap.ngo.moldnet.md  
Executive director: Ms. Svetlana Ikizli

Association of Commercial Banks Of The Republic Of Moldova  
Address: Chisinau, Banulescu Bodoni 57/1, MD-2006  
Tel: (3732) 23-22-26  
Fax (3732) 24-54-16  
President: Mr. Valeriu Chitan

Association of National Goods Producers  
Tel (3732) 74 94 82  
Fax: (3732) 74 94 82 Str. Mesager 1, Chisinau, Moldova  
Description: comprises over 280 manufacturers  
Director: Mr. Petru Poian

## Business Registration And Representation Services

Ernst & Young  
Tel. +3732/ 214040  
Fax +3732/ 214044  
Email: stephane.bride@ey.md  
Str. Banulescu-Bodoni 57/1, Chisinau, Moldova  
Contact: Mr. Stephane Bride

KPMG Moldova S.R.L.  
Tel.: +3732/ 500250, 500251, 543982  
Fax: +3732/ 540499  
Email: kpmg@kpmg.md  
Str. Ismail, 33, 6th floor, md-2001, Chisinau  
Contact: Mrs. Irina Buceatchi, Director

Pricewaterhousecoopers Audit and Accountants S.R.L.  
Tel: +3732/ 234622, 234620, 238122  
Fax: +3732/ 238120  
Str. M. Cibotari, #37, Chisinau, Moldova  
Mr. Warner Matthee, Manager

Turcan & Turcan  
Address: str. Bucuresti 67  
Chisinau, MD-2012 Moldova  
Tel.: +3732/ 212031  
Email: acturcan@valex.md

## Advertising services

Grey SRL  
Address: str. Bucuresti 67 a, Chisinau MD-2012 Moldova  
Tel: +3732/ 22-45-17  
Tel/fax +3732/ 21-36-17  
Email: cr@grey.dnt.md; sveta@grey.dnt.md  
Contact: Mr. Corneliu Ranga, Manager

Media Pro  
Address: MD-2004, Moldova, Chisinau, bd. Stefan cel Mare 162, et. 17  
Tel. +3732/ 213646  
Fax +3732/ 246860  
Email: protv@dnt.md  
Contact: Mr. Catalin Giosan, Director

Sun Inform S.R.L.  
Address: Md-2005, Moldova, Chisinau bd. Renasterii, 13, 214  
Tel: +373-2/ 242431  
Fax: +373-2/ 225628  
Contact: Mr. Sergiu V. Lavrinenco, Director

## Chapter XII Market Research

How to Open an Office in Chisinau, March 2001

Medical Equipment and Pharmaceuticals Market, June 2001

These reports are available on-line at [www.bisnis.doc.gov](http://www.bisnis.doc.gov) (select Country Reports/Western NIS)

## Chapter XIII Trade Event Schedule

Event: Sports. Leisure. Tourism; Tourism and travelling; sports and tourism; fishing and hunting equipment; hotel and restaurant service; entertainment industry, etc.

Date: February 21 – 24, 2002

Organized by: Moldexpo

Tel.: +3732/ 74 74 19

Fax: +3732/ 74 74 20

Email: [moldexpo@ch.moldpac.md](mailto:moldexpo@ch.moldpac.md)

Web site: [www.moldexpo.md](http://www.moldexpo.md)

Event: Vinmoldova, 11th international wine exhibition

Date: February 20-23, 2002

Organized by: Poliproject Exhibitions Ltd.

Tel.: +3732/ 243118

Fax: +3732/ 222070

Email: [info@poliproject.md](mailto:info@poliproject.md)

Website: [www.poliproject.md](http://www.poliproject.md)

Event: Beauty; cosmetics, perfumery, beauty shop and hairdresser's equipment and accessories, etc.

Date: February 27 – March 8 , 2002

Organized by: Moldexpo

Tel.: +3732/ 74 74 19

Fax: +3732/ 74 74 20

Email: [moldexpo@ch.moldpac.md](mailto:moldexpo@ch.moldpac.md)

Web site: [www.moldexpo.md](http://www.moldexpo.md)

Event: Martisor, 7th international consumer goods exhibition, with focus on women goods

Date: February 27 – March 3, 2002 Organized by: Poliproject Exhibitions Ltd.

Tel.: +3732/ 243118

Fax: +3732/ 222070

Email: [info@poliproject.md](mailto:info@poliproject.md)

Website: [www.poliproject.md](http://www.poliproject.md)

Event: Moldconstruct; construction, architecture, equipment

Date: March 20 – 24, 2002

Organized by: Moldexpo

Tel.: +3732/ 74 74 19



Fax: +3732/ 74 74 20  
Email: moldexpo@ch.moldpac.md  
Website: www.moldexpo.md

Event: Moldenergy; energy and environmental products  
Date: March 20 – 24, 2002  
Organized by: Moldexpo  
Tel.: +3732/ 74 74 19  
Fax: + 3732/ 74 74 20  
Email: moldexpo@ch.moldpac.md  
Web site: www.moldexpo.md

Event: Cominfo, 10th international information technology exhibition  
Date: April 10-13, 2002  
Organized by: Poliproject Exhibitions Ltd.  
Tel.: +3732/ 243118  
Fax: +3732/ 222070  
Email: info@poliproject.md  
Website: www.poliproject.md

Event: Small Business  
Date: April 17-21 , 2002  
Organized by: Moldexpo  
Tel.: +3732/ 74 74 19  
Fax: +3732/ 74 74 20  
Email: moldexpo@ch.moldpac.md  
Website: www.moldexpo.md

Event: Food & Drinks  
Date: May 22-26, 2002  
Organized by: Moldexpo  
Tel.: +3732/ 74 74 19  
Fax: +3732/ 74 74 20  
Email: moldexpo@ch.moldpac.md  
Website: www.moldexpo.md

Event: Packaging. Depot  
Date: May 22-26, 2002  
Organized by: Moldexpo  
Tel.: +3732/ 74 74 19  
Fax: +3732/ 74 74 20  
Email: moldexpo@ch.moldpac.md  
Website: www.moldexpo.md

Event: Ax-Art; modern graphic art; painting, graphics, sculpture, decorative and applied art; crafts  
Date: June 20-23, 2002  
Organized by: Moldexpo  
Tel.: +3732/ 74 74 19  
Fax: +3732/ 74 74 20  
Email: moldexpo@ch.moldpac.md

Website: [www.moldexpo.md](http://www.moldexpo.md)

Event: Moldmedizin & Molddent. General medical and dental products.

Date: September 17-20, 2002

Organized by: Moldexpo

Tel.: +3732/ 74 74 19

Fax: +3732/ 74 74 20

Email: [moldexpo@ch.moldpac.md](mailto:moldexpo@ch.moldpac.md)

Website: [www.moldexpo.md](http://www.moldexpo.md)

Event: Wine Festival; wines, cognacs and spirits; national cuisine

Date: September 27-29, 2002

Organized by: Moldexpo

Tel.: +3732/ 74 74 19

Fax: +3732/ 74 74 20

Email: [moldexpo@ch.moldpac.md](mailto:moldexpo@ch.moldpac.md)

Website: [www.moldexpo.md](http://www.moldexpo.md)

Event: Automarket, 5th international vehicle and accessories exhibition

Date: October 1-5, 2002 Organized by: Poliproject Exhibitions Ltd.

Tel.: +3732/ 243118

Fax: +3732/ 222070

Email: [info@poliproject.md](mailto:info@poliproject.md)

Website: [www.poliproject.md](http://www.poliproject.md)

Event: Industry of Moldova

Date: October 9-13, 2002 Organized by: Moldexpo

Tel.: +3732/ 74 74 19

Fax: +3732/ 74 74 20

Email: [moldexpo@ch.moldpac.md](mailto:moldexpo@ch.moldpac.md)

Website: [www.moldexpo.md](http://www.moldexpo.md)

Event: Infoinvent, inventions; innovations; new equipment, technologies and materials

Date: October 9-13, 2002

Organized by: Moldexpo

Tel.: +3732/ 74 74 19

Fax: +3732/ 74 74 20

Email: [moldexpo@ch.moldpac.md](mailto:moldexpo@ch.moldpac.md)

Website: [www.moldexpo.md](http://www.moldexpo.md)

Event: Interior, 8th international exhibition of house and office furniture

Date: October 17-20, 2002

Organized by: Poliproject

Tel.: +3732/ 24 31 18

Fax: +3732/ 22 20 70

Email: [info@poliproject.md](mailto:info@poliproject.md)

Website: [www.poliproject.md](http://www.poliproject.md)

Event: Hometech, home appliances

Date: October 17-20, 2002

Organized by: Poliproject

Tel.: +3732/ 24 31 18

Fax: +3732/ 22 20 70

Email: [info@poliproject.md](mailto:info@poliproject.md)

Website: [www.poliproject.md](http://www.poliproject.md)

Event: Moldagrotech. Farming equipment and products

Date: October 30 – November 3, 2002

Organized by: Moldexpo

Tel.: +3732/ 74 74 19

Fax: +3732/ 74 74 20

Email: [moldexpo@ch.moldpac.md](mailto:moldexpo@ch.moldpac.md)

Website: [www.moldexpo.md](http://www.moldexpo.md)

Event: Farmer. Agricultural products; seeding materials; decorative flowers, gardening equipment.

Date: October 30 – November 3, 2002

Organized by: Moldexpo

Tel.: +3732/ 74 74 19

Fax: +3732/ 74 74 20

Email: [moldexpo@ch.moldpac.md](mailto:moldexpo@ch.moldpac.md)

Website: [www.moldexpo.md](http://www.moldexpo.md)

Event: Moldeco. Ecology and ecological products

Date: October 30 – November 3, 2002

Organized by: Moldexpo

Tel.: +3732/ 74 74 19

Fax: +3732/ 74 74 20

Email: [moldexpo@ch.moldpac.md](mailto:moldexpo@ch.moldpac.md)

Website: [www.moldexpo.md](http://www.moldexpo.md)